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The Neoliberalization of Higher Education

Changes in State
Funding and
Governance
Throughout the
20th Century

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I. Introduction

The Trump administration and its allies are attempting to dismantle much of the US higher education system and place the remainder under the control of right-wing ideologues. Even if they do not realize their greatest ambitions, they have already transformed the landscape of higher education at both the state and federal levels. Reversing these harmful policies will require more than just restoring previously existing programs—the higher education sector will have to be rebuilt. In rebuilding, we will have to revisit the assumptions and institutions around which higher education policy has pivoted for decades.

Many of those assumptions concern the role that the federal government should play in financing higher education. The Roosevelt Institute has argued for a transition away from a system that promotes affordability through subsidy to students—primarily through debt—and toward one that directly funds public colleges, so that they are free for all.¹ Much work remains to be done, especially after the whipsawing reworkings of federal student aid during the Biden and Trump administrations.

But a transition to a robust, free public higher education system—and a transition away from the Trump administration’s vision of an academy in which research funds should depend on obedience and ideas inconvenient to the administration are punished—will require grappling with multiple levels of higher education governance and finance. This report and a forthcoming follow-up focus on how public higher education governance has worked at the subnational level. This first installment traces the development of state higher education structures through the 20th century, focusing on how state governments have managed their public colleges as systems and how that management has contributed to various outcomes for students. The next report will focus on how governance decisions at multiple levels have shaped free speech on campus.

When research began on the report, the goal was to be able to develop a static model: to cluster the various state systems into types and draw conclusions about the advantages and disadvantages of each type.² Unfortunately, despite the presence of

¹ Suzanne Kahn, *More Than Consumers: Post-Neoliberal Identities and Economic Governance*, Roosevelt Institute (2022), <https://rooseveltinstitute.org/publications/more-than-consumers>; Suzanne Kahn, *A Progressive Framework for Free College*, Roosevelt Institute (2019), <https://rooseveltinstitute.org/publications/a-progressive-framework-for-free-college>; Suzanne Kahn, Jennifer Mittelstadt, and Lisa Levenstein, *A True New Deal for Higher Education: How a Stimulus for Higher Ed Can Advance Progressive Policy Goals*, Roosevelt Institute (2020), <https://rooseveltinstitute.org/publications/true-new-deal-for-higher-education-stimulus-advance-progressive-policy-goals>.

² Most of the data and research that this report draws on focuses on the 50 states, although some studies include DC and Puerto Rico. Tribal colleges are not included in our analysis, mainly because information about them is relatively scarce and because tribal governance operates quite differently than state governments (and has a different role in our constitutional order). Generally tribal colleges operate like community colleges—providing two years of relatively practical education (though uniquely designed to pass on native cultures). See generally Justin P. Guillory and Kelly Ward, “Tribal Colleges and Universities:



some patterns, state systems do not seem to be sortable in a straightforward way—at least, nobody who has looked at the issue has been able to develop an overarching typology. Each state is different from the others, and most have made significant changes over time.

There is, however, a relatively clear historical pattern to how these institutions have developed over time. Over the first part of the 20th century, public higher education institutions expanded massively, and states developed bureaucratic planning bodies to ensure they expanded in ways that provided broadly shared benefits.³ Starting in the late 1970s, however, states began to pick apart these institutions and implement austerity, leading to a more competitive, revenue-focused, and increasingly unequal system that was also more shaped by elected politicians than career bureaucrats.⁴

Between roughly 1920 and 1975, state governments were largely committed to expanding access to higher education by expanding funding to public colleges—with the major caveat that different states approached racial and (to a lesser degree) other forms of discrimination quite differently. During this “Growth Era,” nearly all states established independent statewide governing bodies to develop relatively coherent schemes for the allocation of resources and coordination of decisions across colleges. The enormous expansion of higher education in this era was a crucial contributor to the growth in productivity and expansion of a large middle class, as well as the compression of income inequality. But the fact that much of this expansion proceeded while racial segregation remained law and/or policy in many states meant the color line continued to structure many forms of opportunity. Still, desegregation reduced racial disparities during the latter half of this period.

In the “Neoliberal Era” that followed, this approach to state higher education governance began to fall apart. Under pressure from restive taxpayers and policymakers’ concerns about too large a public sector and too many resources being shared with nonwhite populations, state governments began to cut back on taxes, constraining budgets. Contrary to common belief, per-student funding has not declined overall since the start of this period, but it has become increasingly sensitive to macroeconomic conditions. Under the influence of a new generation of policy thinkers who saw public institutions as lesser versions of capitalist firms, state legislatures began to disempower independent planning commissions, replacing them with efforts to promote market-mediated accountability and with more powerful governors. Meanwhile, universities themselves began to operate more like private firms: diversifying revenue streams, raising tuition, and increasing administrative costs while economizing on faculty. The result was public colleges with less-reliable state

Identity, Invisibility, and Current Issues,” in *Understanding Minority-Serving Institutions*, ed. Marybeth Gasman et. al. (SUNY Press, 2008), <https://degruyterbrill.com/document/doi/10.1515/9780791478738-010/html?srsId=AfmBQorkcuQJpapwM3G7ZgxSmGH1xBfbvGATn2ERrojRA-xPL4kYwxBV>.

³ See Section III: The Growth Era.

⁴ See Section IV: The Neoliberal Era.

subsidies that operated more like their private counterparts. They participated in competitive dynamics that deepened inequality and contributed to slower growth. State flagships increasingly catered to wealthier students, often from out of state, and ill-served the minority of lower-income in-state students who could make it onto campus. Less-elite public institutions lost resources, leaving those students who most benefited from increased investment the least well served and the most in debt—a form of “predatory inclusion.”⁵

Neither the expansions of the Growth Era nor the retrenchment of the Neoliberal Era proceeded in the same way across all states. In the Neoliberal Era, states with strong tax revolt movements and more powerful Republican parties were more likely to see funding cuts, and for those cuts to be deeper. These differences layered on top of previous variations to produce the variety of institutions we see today.

This historical account provides several lessons for the effort to make higher education more equitable. Looking backward, it spotlights one of many consequences of a federal policy that focuses on promoting affordability through loans and other student-side subsidy: a national market for higher education that erodes state-level efforts to balance equality with excellence, creating cost barriers and inequalities between institutions that increase inequality and reduce access. The relationships between right-wing backlash and the reforms that led to privatization also provide insight into how neoliberalization laid the foundation for the current turn toward censorship, federal control, and student repression. Looking forward, reformers should consider how to create the sorts of governance and funding mechanisms that created more institutional equality during the Growth Era without reproducing their exclusions. Whether that benefit-spreading is done at state or federal level is left open for discussion, but the crucial point is that one must balance excellence with equality within and across institutions to do so at the individual level.

I. The Basic Structure of State Public Higher Education Systems Today

As used in this report, a “state public higher education system” is a set of institutions that funds and governs public colleges and universities that have been chartered by state governments. There are two basic elements of a state public higher education system: governance and funding.⁶

⁵ Louise Seamster and Raphaël Charron-Chénier, “Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap,” *Social Currents* 4, no. 3 (2017), <https://journals.sagepub.com/doi/10.1177/2329496516686620>.

⁶ For charts summarizing the current mix of funding mechanisms and governance systems in higher education institutions in each state, see the following: Table 1 in Sophia Laderman et al., *State Approaches to Base Funding for Public Colleges and Universities*, SHEEO and NCHEMS (2022), https://sheeo.org/wp-content/uploads/2022/10/SHEEO_2022_State_Approaches_Base_Funding.pdf#page=22; Education



Governance

Public colleges are subject to overlapping layers of governance. Their charters, sometimes created by legislation and sometimes by state constitution, lay out their basic structures and modes of decision-making. These charters usually create boards of trustees and/or governors to oversee operations. These boards hire executives and administrators, who oversee the work of faculty. Most universities' bylaws and some state laws give faculty at least some (and sometimes much) "co-governance" authority, usually focused on academic affairs and hiring and firing colleagues.

Nearly every state also embeds its public colleges into a *system*, with one or more system-wide institutions to plan and allocate resources across institutions. These systems are our main focus here. The exact responsibilities and structures of these statewide governance institutions vary greatly across states, and states have changed their institutions over time, but they are commonly grouped into three general types:

- A **single statewide governing board** sets budgets and priorities across all public colleges in the state. Although the exact responsibilities of these boards vary somewhat, they generally operate as corporate boards (replacing the corporate boards of individual campuses), with the power to hire and fire presidents, float bonds, develop bylaws, make final tenure votes, and the like. Eight states have statewide governing boards.
- **Single statewide coordinating agencies** generally have less power—and different types of power—than governing boards. They operate as intermediaries between campus-level governing boards and state-level elected officials. Usually they have the power to articulate system-wide goals, allocate (some) resources across institutions, administer student aid, and advise governors and legislatures on higher education policy, among other things, while the power to hire and fire presidents and float bonds is left at the campus level. Twenty states currently have single coordinating agencies.
- A **higher education administrative agency** has even less power. It can generally offer advice, conduct research, and engage in some policy planning but does not have any ability to allocate funds across institutions or write bylaws for them, let alone to engage in direct governance activities such as hiring and firing. Three states have only an administrative agency to facilitate statewide coordination.

Many states do not fit into any of the three above system categories, as they do not have a single body coordinating higher education. Eight states combine administrative agencies with coordinating agencies or governing boards. Eleven states have more than

Commission of the States, "Postsecondary Governance Structures 2020," Education Commission of the States, November 2020.

<https://reports.ecs.org/comparisons/postsecondary-governance-structures-2020-all>.



one coordinating agency or governing board—often with one for four-year and another for two-year institutions.⁷

State elected officials also exercise power over public colleges. They can do so through direct regulation, subject to state and federal constitutional constraints. They can also condition funding—a lever that has mainly been pulled to set performance-based goals (as discussed in Section IV: Shifts in Funding). And they can exercise appointment powers over governance institutions. In most states, the majority of board members on campus-level and/or state-level governance boards are appointed by the governor or the legislature. Some states set statutory or constitutional requirements for regional and/or sectoral representation on these boards. In Alabama, for example, the 12-member commission must include one person from each of the congressional districts in Alabama. Additional members may be appointed from any district, with no more than two from a single district. Ten members are to be appointed by the governor, one by the lieutenant governor, and one by the speaker of the house with the advice and consent of the Senate.⁸ By contrast, in Nevada—and only in Nevada—board members are directly elected by all eligible voters in the state.⁹

Federal and local governments also play a role in governing universities, through a combination of conduct regulation and funding conditions. Accrediting agencies allow universities and particular disciplines some degree of self-governance via peer review, with attenuated supervision from the US Department of Education. These institutions will not be a central focus of this report.

Funding

With the exception of some wealthy flagships, public colleges receive most of their funding from their state governments.¹⁰ Most of this support is direct and covers general operating expenses, but some of it comes in the form of grants and/or loans to students (and thus makes its way to colleges via tuition charges). Public colleges supplement state support with support from the federal government (both in the form of direct grants, mostly to support research, and in the form of student aid), from students and alumni (and their families), from endowments, and from local

⁷Mary Fulton, *An Analysis of State Postsecondary Governance Structures* (Education Commission of the States, 2019), <https://ecs.org/wp-content/uploads/An-Analysis-of-State-Postsecondary-Governance-Structures.pdf>.

⁸ Al. Code § 16-5-2(a).

⁹Paul G. Rubin, “Political appointees vs. elected officials: Examining how the selection mechanism for state governing agency board members influences responsiveness to stakeholders in higher education policy-making,” *Education Policy Analysis Archives* 29 (2021). <https://doi.org/10.14507/epaa.29.5214>.

¹⁰“Higher Education Expenditures,” Urban Institute, last updated 2024. <https://urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/higher-education-expenditures>.

governments.¹¹ Different public colleges use very different combinations of these sources of support. Community colleges, for example, are much more likely to receive local government support and much less likely to have endowments than flagships.

States also vary in their “funding model”—that is, the criteria through which the state decides how much money to allocate to each institution in each year. No two states have exactly the same approach, but there are four basic models on which each draws:¹²

- The most popular is some form of **“base-plus”** (or “base-adjusted” or “incremental”) funding, in which allocations are determined by adjusting the prior year’s funding allocations by a fixed amount, either across all higher education institutions or by sector (e.g., four-year vs. two-year colleges). Generally, the amount of the adjustment relative to the previous year is not based on any fixed formula or even indexed to changes in cost or enrollment. Rather, it runs mostly on rules of thumb adjusted depending on the amount of pressure the state’s budget is under.
- On the other hand, **“input-based”** (or “enrollment-based” or “formula”) funding determines allocations based on yearly changes in costs across institutions. The most important input is enrollment, but some formulas also account for characteristics of students (e.g., family income) or other factors that might affect the cost of education.
- Conversely, **“performance-based”** (or “outcomes-based”) funding adjusts the amount an institution gets based on how close it has come to a series of outcomes, such as degrees awarded, workforce participation, or student credit hours, during the previous year. The idea of this form of funding is to incentivize cost-effective means of getting results rather than allowing costs to grow without supervision. As we will see, this form of funding became important in the Neoliberal Era. It has been repeatedly found to be ineffective at achieving its own goals.
- Finally, **“zero-based”** (or “institutional requests”) funding is as its name implies: Higher education budgets are renegotiated from scratch each year. This non-formula formula makes allocations highly contingent on the balance of political forces in the state legislature.¹³

¹¹State Higher Education Executive Officers Association (SHEEO), *State Higher Education Finance* (SHEEO, 2023),

https://shf.sheeo.org/wp-content/uploads/2024/04/SHEEO_SHEF_FY23_Report.pdf.

¹²Nicholas Hillman, Amberly Dziesinski, and Eunji You, *Designing Higher Education Funding Models to Promote Student Success* (Student Success Through Applied Research, 2024),

<https://sstar.wisc.edu/wp-content/uploads/2023/12/Equity-Funding-Report.pdf>.

¹³Sophia 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, 2022), https://nchems.org/wp-content/uploads/SHEEO_NCHEMS_2022_StateApproaches_BaseFunding.pdf; Kelly Rosinger, Robert Kelchen, Justin Ortagus, Dominique J. Baker, and Mitchell Lingo, *Designing state funding formulas for public higher education to center equity*

Most states have hybrid systems that combine two or more of these models. A state might, for instance, use a base-plus process as the primary means of allocation and have a performance-based scheme that provides bonuses to colleges that achieve certain outcomes. Or a state might have a base-plus model for four-year colleges and an input-based model for two-year colleges.¹⁴

II. The Growth Era (c. 1900–1975)

Aside from a few early outliers, state systems of higher education governance were first formed during the unprecedented explosion of college attendance in the first half of the 20th century. They were forged during a political moment in which broad coalitions were in favor of institutions that promoted rapid growth, spread benefits geographically, and promoted equitable access to white Christian men—and then, haltingly and under pressure from the Black freedom movement, to all who qualified. Despite the role of some institutions in inventing killing machines for the military and toxic pollutants for industry, the resulting systems of public higher education were widely seen as the best in the world—producing transformative discoveries, increasing productivity, improving public health, and spreading knowledge and skills broadly. Although the education system’s benefits were far from universally shared, the overall trajectory of the Growth Era was of expanded access and increased efforts toward inclusion.

The Explosion of Higher Education in the 20th Century

The 19th century witnessed the founding of many public colleges; indeed, the majority of those that exist today were founded before 1900. However, these institutions were relatively small (averaging fewer than 300 students) and, with a couple exceptions, operated without statewide governing institutions. Before 1900, no more than 1 percent of the college-age population (i.e., 18- to 24-year-olds) went to college and only 20 percent of that 1 percent attended public schools.¹⁵ That changed dramatically in the 20th century. By 1950, 20 percent of the college-age population attended college. By 1970, 60 percent did. Combined with population growth, the college population expanded by 20 times—from 600,000 to 12 million—between 1900 and 1970. Most of this

(Brookings, 2024), <https://brookings.edu/articles/designing-state-funding-formulas-for-public-higher-education-to-center-equity>.

¹⁴For more detail, see Robert Kelchen, Mitchell Lingo, Dominique J. Baker, Kelly Rosinger, Justin Ortagus, and Jiayao Wu, “A Typology and Landscape of State Funding Formulas for Public Colleges and Universities from 2004 to 2021,” *The Review of Higher Education* 47, no. 3 (2024): 281–314. <https://dx.doi.org/10.1353/rhe.2024.a921604>.

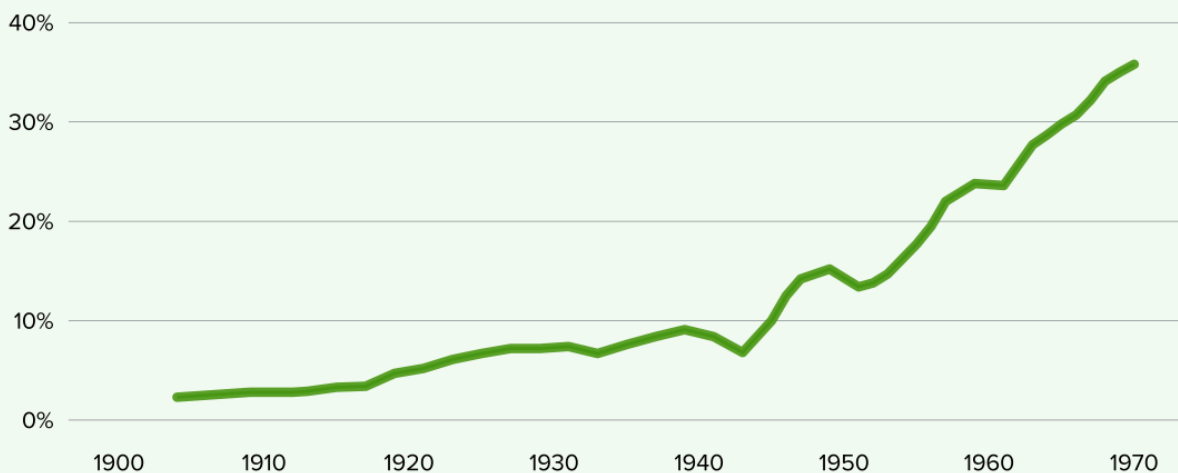
¹⁵ Claudia Goldin and Lawrence F. Katz, “The Shaping of Higher Education: The Formative Years in the United States, 1890–1940,” *Journal of Economic Perspectives* 13 (1999): 37–62. <https://aeaweb.org/articles?id=10.1257/jep.13.1.37>.

growth was absorbed by public institutions.¹⁶ The fraction of college students at public schools went from roughly 20 percent in 1900 to 50 percent in 1950 to 65 percent in 1970. These institutions went from being, on average, roughly twice as large as private colleges to nearly seven times as large.¹⁷

Figure 1

Share of 18- 24-Year-Olds Enrolled in Higher Education Institutions

The college population expanded by a factor of 20 during the Growth Era.



Source: Thomas D. Snyder 1993



This surge in college attendance unfolded in two stages. Between 1900 and 1945, the technological and managerial transformations of the Second Industrial Revolution increased demand for college-educated workers. At the same time, movements to expand primary and secondary educational attainment (the “common school movement” and the “high school movement”) increased both the supply of college-ready and -interested students and the demand for college-educated teachers. A surge in federal investment accelerated this growth at the end of World War II. At first, this

¹⁶ Why? Goldin and Katz offer two classes of explanation. First, because public universities started out relatively large and better set up to do (scientific) research, they were better able to adjust to the new scale and scope of higher education in the 20th century. Second, they were cheaper and more inclusive and so better able to absorb a growing population of students with diverse backgrounds. See Goldin and Katz, “The Shaping of Higher Education.”

¹⁷ Goldin and Katz, “The Shaping of Higher Education”; Thomas D. Snyder, “Higher Education,” in *120 Years of American Education: A Statistical Portrait*, ed. Thomas D. Snyder (National Center for Education Statistics, 1993). <https://nces.ed.gov/pubs93/93442.pdf>.

aid came in the form of grants for veterans, but it was made into a permanent program for all with an evolving mix of grants and loans with the Higher Education Act of 1965. Congress also began to provide funding for research—mostly for sciences, and especially for the hard sciences that were understood to have national security implications—starting in World War II.¹⁸

State education budgets grew again and again to accommodate the surge in demand. Broad state-level bipartisan support for increased funding for higher education (and increased taxes) emerged out of a convergence of interests. Large and medium-sized corporations began to depend on workers with college educations to staff a growing managerial sector and to perform increasingly complex tasks, especially those that

required knowledge of chemistry, physics, and engineering. A growing population of high school-educated workers and their families saw opportunity and sought self-development in higher education. Local boosters saw growth opportunities in having a college located in their communities. Progressives, populists, and socialists saw expanding access to education as a way to spread power.¹⁹ By the 1930s, a widely—though far from universally—held view was that states should ensure that educational institutions were widespread, well-resourced, and offering a mix of practical and liberal arts offerings. They did so mostly by funding existing public colleges that had already been scattered throughout their states and by building new public colleges in places that were not well served.²⁰

Over the first part of the 20th century, public higher education institutions expanded massively, and states developed bureaucratic planning bodies to ensure they expanded in ways that provided broadly shared benefits. Starting in the late 1970s, however, states began to pick apart these institutions and implement austerity, leading to a more competitive, revenue-focused, and increasingly unequal system that was also more shaped by elected politicians than career bureaucrats.

Until civil rights lawsuits and legislation began to make their impact felt, these expansions took place in a context of racial segregation. In the South, where the overwhelming majority of Black people lived before the Second Great Migration, Black/white racial segregation was de jure until the Supreme Court began to change its mind about the doctrine of “separate but equal” and the federal government began to

¹⁸Claudia Goldin and Lawrence F. Katz, *The Race Between Education and Technology* (Harvard University Press, 2010), <https://jstor.org/stable/j.ctvjf9x5x>; Snyder, “Higher Education”; Elizabeth Popp Berman, *Creating the Market University* (Princeton University Press, 2012), <https://jstor.org/stable/j.ctt7rs23>.

¹⁹ Goldin and Katz, *The Race Between Education and Technology*; Ethan W. Ris, *Other People’s Colleges* (University of Chicago Press, 2022), <https://press.uchicago.edu/ucp/books/book/chicago/O/bo162768878.html>.

²⁰ Ris, *Other People’s Colleges*.

forcibly impose desegregation.²¹ In the North, de facto racial segregation resulted from hostility at predominantly white schools, residential segregation and underinvestment in predominantly Black K–12 schools, and the channeling of Black students toward career schools and HBCUs.²² Because it was formally racially neutral, the GI Bill made some progress in expanding access to college for Black men. But it did nothing for Black women and, in practice, Black recipients continued to be channeled to predominantly vocational programs and HBCUs.²³ However, once racial discrimination in education was formally outlawed and desegregation began to be enforced, colleges became significantly less segregated as they continued to expand.²⁴

Similarly, the initial expansion of higher education disproportionately benefited men, but women's attendance fitfully caught up to and then surpassed men as the Growth Era continued. During the 1910s, 20s, and 30s, women's attendance rates did increase, but lagged significantly behind men's. And women more often dropped out of college and were much more likely to attend two-year teacher colleges. Gender gaps lessened during World War II and the Korean War but spiked in postwar periods—most particularly when the GI Bill sent millions of men off to college. Yet as women proved themselves capable to close-minded men and pressured institutions to change, the gender gap in attendance closed and, more slowly, as did institutional and disciplinary gender segregation.²⁵

The Development of System-Wide Governance

As colleges expanded and proliferated, state legislators began to experiment with systematizing governance. Before the postwar expansions, states often chartered colleges haphazardly and made uncoordinated funding decisions based on the separate petitions and lobbying efforts of each institution. That process quickly became unwieldy and was sometimes corrupt. Many university and public officials felt the need for more coherent state-level planning to manage expansions and distribute resources

²¹See [Sipuel v. Board of Regents](#) (1948), [Sweatt v. Painter](#) (1950), [McLaurin v. Oklahoma State Regents](#) (1950), [Brown v. Board of Education](#) (1954); Saran Donahoo, "Derailing Desegregation: Legal Efforts to End Racial Segregation in Higher Education Before and After Brown," *Equity and Excellence in Education* 39, no. 4 (2006): 291–301, <https://doi.org/10.1080/10665680600925253>.

²²Richard L. Plaut, "Racial Integration in Higher Education in the North," *The Journal of Negro Education* 23, no. 3 (1954): 310–316, <https://doi.org/10.2307/2293229>; Rayford W. Logan, "Educational Segregation in the North," *The Journal of Negro Education* 2, no. 1 (1933): 65–67, <https://doi.org/10.2307/2292219>.

²³See Edward Humes, "How the GI Bill Shunted Blacks into Vocational Training," *Journal of Blacks in Higher Education* 53 (2006): 92–104, <https://jstor.org/stable/25073543>; Ira Katznelson and Suzanne Mettler, "On Race and Policy History: A Dialogue About the GI Bill," *Perspectives on Policy* 6, no. 3 (2008): 519–37, <https://doi.org/10.1017/S1537592708081267>.

²⁴Peter Hinrichs, "An Empirical Analysis of Racial Segregation in Higher Education," *Education Finance and Policy* 19, no. 2 (2024): 218–51, https://doi.org/10.1162/edfp_a_00394.

²⁵Goldin and Katz, "The Shaping of Higher Education"; Alexandra Hendley and Maria Charles, "Gender Segregation in Higher Education," in *Emerging Trends in the Social and Behavioral Sciences*, ed. Robert Scott and Stephen Kosslyn (John Wiley and Sons, 2015), <https://emergingtrends.stanford.edu/files/original/bdef6e179de801376ff2de332f1f4901a6d6ae94.pdf>.



equitably under the guidance of dedicated experts. Inspired by the British University Grants Committee, early adopters innovated and then influenced other state governments to create independent agencies that would develop a base of knowledge—including by collecting and analyzing data—about a state’s overall higher education situation and develop schemes for prioritizing resources, including over the course of multiple years.²⁶

An initial wave of statewide higher education governance institutions arrived between 1900 and 1945. At the beginning of this period, only four states had them—Montana, Nevada, New York, and South Dakota. By the end of World War II, 18 did. Fourteen of these boards were governing boards with independent “lay” appointees to manage affairs across campuses, but three—those in Kentucky, New York and Oklahoma—were proto-coordinating boards in which leaders of individual campuses negotiated among themselves. (New York’s Board of Regents is idiosyncratic, coordinating across both K–12 and postsecondary education since its establishment in 1784.)²⁷

Between 1945 and 1975, statewide boards spread to nearly every remaining state. These boards looked different than those that came before. State legislatures mostly saw experiments with facilitating voluntary coordination across campuses as failures. So, after 1960, coordinating boards were nearly all populated by independent “lay” (which is to say nonacademic) appointees with responsibilities beyond mere budget allocation (Delaware, Michigan, Nebraska, and Vermont have been the exceptions). They could, among other things, develop statewide funding formulas and approve new institutions, branches, and programs. Twenty-four states created such boards during this period.²⁸ Four states—Maine, New Hampshire, Utah, and West Virginia, all of which were (and are) relatively small—created governing boards instead.²⁹

Both coordinating and governing boards became more expert and capable over the course of the postwar expansion. They were often tasked with creating plans for the entire system to guide their allocational and other decisions. (California’s “Master Plan”

²⁶ Aims McGuinness, *State Policy Leadership for the Future: History of State Coordination and Governance and Alternatives* (Education Commission of the States, 2016), <https://ecs.org/wp-content/uploads/051616-State-Policy-Leadership-for-the-Future-KL-final4-1.pdf>; Richard M. Millard, *Statewide Coordination and Governance of Postsecondary Education: Quality, Costs and Accountability* (Education Commission of the States, 1997), <https://files.eric.ed.gov/fulltext/ED202318.pdf>.

²⁷ McGuinness, *State Policy Leadership*; Millard, *Statewide Coordination*.

²⁸ Wyoming created a coordinating board only for its community colleges, since it only had one four-year college (the University of Wyoming).

²⁹ McGuinness, *State Policy Leadership*.

is the most prominent example of such efforts.)³⁰ Starting in 1954, leaders of state-level boards also began meeting and sharing information across state lines via the State Higher Education Executive Officers (SHEEO) network, which further contributed to professionalization and independence from campuses and legislatures.³¹

State Variation at the End of the Growth Era

By 1975, mass higher education was well established in the United States, and there was quite widespread (though far from universal) agreement on its value and the importance of state funding in providing it. Public colleges—whether two-year or four-year—educated the great majority of college students, and state budgets grew and grew to accommodate the growth.

Governance of public colleges had also become increasingly professionalized. All but four states had statewide governing institutions. Twenty-seven states had coordinating boards of some sort, and nineteen had consolidated governing boards. These boards were generally staffed by bureaucrats with some specialized training who— independently or by advising the legislature and governor—developed statewide plans to allocate resources and develop other policies for managing higher education. Their focus was primarily on adjusting to continuous growth while accommodating the different needs of different populations, changes in disciplinary boundaries, demand for different skills, developments in educational technology, and the like.³²

Despite this uniform growth and institutional convergence, there were important differences between states. One source of variation was regional. States that had more private colleges before the massive expansions of the 20th century consistently spent

³⁰ Although it is the most commonly discussed example of midcentury coordination and it was indeed enormously influential, the California Master Plan is idiosyncratic. It was simultaneously an effort to formalize the three tiers of educational institutions that had developed over the first half of the 20th century—the research- and advance study-focused University of California system, the regional four-year-undergraduate-focused California State University system, and the two-year California Community College system—and to develop a process by which each of these tiers could coordinate. The Master Plan was not developed by nor did it create a central governing or coordinating body. Rather, it was created by a special commission and passed by the legislature as a compromise in order to avoid the creation of such a body. John Aubrey Douglass, *The California Idea and American Higher Education: 1850 to the 1960 Master Plan* (Stanford University Press, 2000), <https://sup.org/books/sociology/california-idea-and-american-higher-education>.

³¹ McGuinness, *State Policy Leadership*; Millard, *Statewide Coordination*. There was a brief movement in the 1970s to make statewide boards coordinate across both public and private institutions. Section 1202 of the 1972 Higher Education Act Amendments required states to set up such boards to receive certain federal funding, and Section 1203 set up a funding mechanism. Although some states attempted to do so, federal funding quickly lapsed and the federal government gave up on the initiative. The attempt was too brief to cause a permanent change in any state. T. Harry McKinney, “Establishment of State Postsecondary Education Commissions,” *Higher Education in the States* 4, no. 7 (1974): 185–204, <https://files.eric.ed.gov/fulltext/ED091966.pdf>.

³² McGuinness, *State Policy Leadership*.



less money expanding public colleges. That means that Northeastern states spent the least and Western states the most. This has been the consistent pattern since college attendance took off in the 20th century. Another consistent pattern that cut across different regions was the impact of racist and xenophobic political coalitions. Negative reactions to ethnic differences correlated with less support for expanded higher education, even after desegregation. States with higher ethnic heterogeneity spent less, as did Southern states that had higher Black populations (and were largely controlled by racist white elites).³³

Still, convergences were more notable than divergences. All states saw enormous expansions of higher education attainment and funding, with at least some degree of centralized professional governance put in place to rationalize growth in order to expand access to the growing middle class. All states began this period with de jure or de facto segregated institutions and began to desegregate as the Black Freedom Struggle won more and more battles.

Outcomes of the Growth Era: Innovation, Wealth, and Equalization

The broad support for higher education in the Growth Era had enormous beneficial effects. In study after study, higher education is shown to have major benefits for both those who get educated and the society that surrounds them, including through increased longevity, improved health outcomes, increased productivity, and reduced violent crime. Investment in higher education also produced innumerable research breakthroughs that have had all kinds of positive knock-on effects.³⁴

The Growth Era's particular emphasis on expanding access broadly has also been shown to be enormously beneficial. As Goldin and Katz have documented, the huge increase in the population of college-educated people not only contributed to the research and implementation of output-increasing technology and techniques, health-care breakthroughs, home and community conveniences, and so on, but also grew even faster than the rapidly increasing technology-driven demand for high-skilled labor that these innovations helped produce. Therefore, the fact that the college-educated population more than met the increased demand reduced the wage premium that came with a college degree (i.e., the individual return to a college degree went down over this period), which decreased income inequality even as incomes increased. Still, the United States led the world in educational attainment for the entire

³³ Goldin and Katz, "The Shaping of Higher Education."; Adam Harris, *The State Must Provide* (HarperCollins, 2021),

<https://harpercollins.com/products/the-state-must-provide-adam-harris?variant=39815028899874>.

³⁴ Walter W. McMahon, *Higher Learning, Greater Good* (Johns Hopkins University Press, 2009),

<https://eric.ed.gov/?id=ED528724>; Mariana Mazzucato, *The Entrepreneurial State* (Penguin Random House, 2024),

<https://penguinrandomhouse.com/books/740768/the-entrepreneurial-state-by-mariana-mazzucato>.



Growth Era. Its most high-status universities (many of which were public!) became the most highly regarded universities in the world even as its overall system of higher education became more accessible and equal on multiple dimensions, especially once desegregation actually began to be enforced in earnest.³⁵ Indeed, the US's approach to public higher education became a model that many other countries began to follow.³⁶

To say as much is not to claim that the institutions of the Growth Era were optimal or even that they did not have major downsides. For instance, much of the growth in federal research funding came through the military, and much of it produced innovations in surveillance techniques and death machines that have made our world considerably worse. Many of the innovations that increased productivity also despoiled our environment, often in irreversible ways. And increased access to higher education did not make our society more equal in every way—the endurance of the color line throughout much of this period helped to entrench racialized wealth and income gaps, gaps that have never been corrected (especially given the retreat from expanded investment in higher education during the Neoliberal Era). The maintenance of a separate tier of vocational education that produced lesser benefits on all dimensions created a second-class form of higher education with lesser benefits.

Yet the expansion of the university produced enormous good while limiting inequality. As the 1970s came to an end, these trends toward expansion began to reverse.³⁷

III. The Neoliberal Era

In the years leading up to Ronald Reagan's presidency, the broad consensus in favor of state support to public institutions, overseen by professionalized independent statewide governing institutions, was disrupted by a political coalition that was much more skeptical of (or even antagonistic to) state spending, public goods, and independent administrative institutions. Buoyed by inflation, racial backlash, and growing cynicism about politics, this neoliberal coalition sought—and frequently achieved—reforms to put more of the cost of college on students themselves and make public colleges run more like businesses.

By the 2000s, public colleges in all states had become more like private colleges: competing for students across state boundaries to maintain status and revenues rather than seeking to serve as many students from in-state as possible, as well as charging higher and higher tuition with limited means-tested and/or merit-based relief for lower-income students rather than serving all students for free or low cost. State funding became much more volatile—going down during economic downturns and up

³⁵ Goldin and Katz, *The Race Between Education and Technology*.

³⁶ Simon Marginson, *The Dream Is Over: The Crisis of Clark Kerr's California Idea of Higher Education* (University of California Press, 2016), <https://jstor.org/stable/10.1525/j.ctt1kc6k1p>.

³⁷ Goldin and Katz, *The Race Between Education and Technology*.



during periods of growth—and many states began to reduce overall funding. Variations across states became even more complex, but one overarching pattern was that Republican-controlled legislatures were more likely to cut funding and to reduce the independence of state governing institutions (see Section IV: Explaining Variations in Neoliberalization Across States).

The Pressures on Higher Education Policy and the Pivot to Neoliberalism

Despite the enormous benefits of expanded public higher education for many constituencies, by the 1970s these institutions were under pressure from multiple sides.

Backlash Against the Left

One source of pressure was backlash against the student protest, alternative lifestyles, and increasing racial diversity on campuses. This backlash began in the very same California of the 1960s that innovated the “master plan” model. For example, Reagan’s campaign for governor—which was covertly supported by J. Edgar Hoover’s FBI—featured multiple attacks on the “campus radicals” at Berkeley. By successfully mobilizing political support against institutions that the Right increasingly viewed as housing and training political enemies, his victory offered a model for future conservative politicians to place public institutions of higher education under greater scrutiny.³⁸ Conservative intellectuals, meanwhile, expanded on earlier Red Scare attacks against Communists and Socialists, developing and circulating critiques of colleges as being captured by collectivist liberals without appreciation for intellectual diversity.³⁹ By the time Reagan took up residence in the White House, suspicion about college professors and students had become an important strain in right-wing politics.

Anti-Tax Movements and Budget Constraints

Another strain of backlash, beginning in the 1970s, was the “tax revolt.” Initially taking the form of scattered acts of resistance among lower-income homeowners who had become frustrated with the growing and regressive property taxes used to fund state spending, anti-tax movements then became an organized effort under predominantly

³⁸ Ryan Liebenthal, *Burdened: Student Debt and the Making of an American Crisis* (HarperCollins, 2004), <https://harpercollins.com/products/burdened-ryann-liebenthal?variant=41472117669922>; Jeffery Kahn, “Ronald Reagan Launched his Political Career Using the Berkeley Campus as a Target,” *UC Berkeley News*, June 8, 2004, https://newsarchive.berkeley.edu/news/media/releases/2004/06/08_reagan.shtml; Gerard J. De Groot, “Ronald Reagan and Student Unrest in California, 1966–1970,” *Pacific Historical Review* 65, no. 1 (1996): 107–129, <https://doi.org/10.2307/3640829>; Seth Rosenfeld, *Subversives: The FBI’s War on Student Radicals, and Reagan’s Rise to Power* (Farrar, Straus and Giroux, 2024).

³⁹ William F. Buckley, Jr., *God and Man at Yale* (Regnery Publishing, 1951), <https://regnery.com/9781684512362/god-and-man-at-yale>.



(but by no means exclusively) conservative leadership.⁴⁰ Racist objections to “taxpayers” having to subsidize the educations of non-white others (incorrectly presumed to not pay taxes) were also mobilized in the wake of desegregation.⁴¹ California again led the way. In 1978, after years of campaigning, the state passed its notorious Proposition 13, which froze property taxes. In that year, anti-tax referenda were on ballots in 30 states, and 13 passed.⁴² Anti-tax sentiment continued to be a mobilizing force in state politics—and continues to be today. During the Neoliberal Era, most states capped tax rates in some way and nearly half the states adopted one or more procedural measures to prevent the legislature from raising taxes through normal lawmaking.⁴³ In addition, 46 states have some sort of balanced-budget requirement.⁴⁴

These anti-tax measures and the general political mobilization against taxation constrained legislatures’ abilities to increase spending on anything, including higher education. Archibald and Feldman found that states that had passed one or more procedural constraints on raising taxes were significantly more likely to cut funding for higher education between 1978 and 2001.⁴⁵

State budgets also faced other pressures (including higher spending on police and prisons in an escalating and often explicitly racist “war on crime,” as well as increasing use of tax expenditures to attract business), the most important of which came from the federal government. Mandatory Medicaid contributions created a large yearly commitment that automatically got priority over budget items over which legislatures had some discretion. Once it was realized that public colleges could raise tuition without seeing meaningful reductions in attendance (in part because of the federal government’s demand-side subsidy programs), legislatures began to depend on them to clear up this fiscal space.⁴⁶

⁴⁰Isaac William Martin, *The Permanent Tax Revolt* (Stanford University Press, 2008), <https://sup.org/books/sociology/permanent-tax-revolt>; Josh Mound, “Stirrings of Revolt: Regressive Levies, the Pocketbook Squeeze, and the 1960s Roots of the 1970s Tax Revolt,” *Journal of Policy History* 32, no. 2 (2020): 105–150, <https://muse.jhu.edu/article/751388>.

⁴¹Camille Walsh, *Racial Taxation* (The University of North Carolina Press, 2018), <https://muse.jhu.edu/book/57736>; Michan Andrew Connor, “Race, Republicans, and Real Estate: The 1991 Fulton County Tax Revolt,” *Journal of Urban History* 44, no. 5 (2018), <https://doi.org/10.1177/0096144215598963>; Kevin M. Kruse, “The Politics of Race and Public Space: Desegregation, Privatization, and the Tax Revolt in Atlanta,” *Journal of Urban History* 31, no. 5 (2005), <https://doi.org/10.1177/0096144205275732>.

⁴²Mound, “Stirrings of Revolt.”

⁴³Martin, *The Permanent Tax Revolt*; Robert B. Archibald and David H. Feldman, “State Higher Education Spending and the Tax Revolt,” *Journal of Higher Education* 77, no. 4 (2004): 618–644, <https://jstor.org/stable/3838710>.

⁴⁴Kim Rueben and Megan Randall, “Balanced Budget Requirements: How States Limit Deficit Spending,” Urban Institute, November 2017, https://urban.org/sites/default/files/publication/94891/balanced-budget-requirements_2.pdf.

⁴⁵Archibald and Feldman, “State Higher Education Spending.”

⁴⁶Aims McGuinness, “The States and Higher Education,” in *American Higher Education in the Twenty-First Century*, 2nd edition, ed. Philip G. Altbach, Robert O. Berdahl, and Patricia J. Gumpert (Johns Hopkins University Press, 2005), <https://doi.org/10.1177/016146810610800113>; Albert A. Okunade, “What Factors Influence State Appropriations for Public Higher Education in the United States?” *Journal of Education*

Financialization

The increased volatility in state funding (and, in many states, the absolute decline) encouraged public colleges to rely more heavily on other sources of income to maintain stable revenues.⁴⁷ Administrators at research universities had already begun to do so.

For one thing, starting in 1972, many colleges with endowments began adopting more sophisticated approaches to portfolio allocation that increased investment revenue, after which university leadership became more attuned to the health of its investments.⁴⁸ Over time, the financial practices of wealthy universities became increasingly complex and sophisticated. Although financialization did not penetrate as deeply into public institutions as it did private, flagship research universities also employed many investment professionals and engaged in a variety of leverage-driven strategies to expand.⁴⁹

In addition, especially after the Bayh-Dole Act of 1981, universities and their federal funders began to embrace the commercialization of research, developing offices to apply for and manage patents, helping professors spin off discoveries into businesses, and entering more agreements with private businesses to perform research that could help enhance profits.⁵⁰

Ironically, some of these efforts to diversify revenue streams increased the *expenses* of universities. Bespoke investment advice was not cheap, nor was debt service or, after the financial crisis, swaps gone bad.⁵¹ And, as Christopher Newfield has illustrated, the administrative apparatus to obtain research grants is so incredibly expensive it is a net

Finance 30, no. 2 (2004): 123-138, <https://eric.ed.gov/?id=EJ720558>; Jennifer A. Delaney, *Volatility in State Spending for Higher Education* (American Educational Research Association, 2023), <https://aera.net/Publications/Volatility-in-State-Spending-for-Higher-Education>.

⁴⁷ Delaney, *Volatility*.

⁴⁸ Bruce Kimball and Sarah Iler, *Wealth, Cost and Price in American Higher Education: A Brief History* (Johns Hopkins University Press, 2023), <https://eric.ed.gov/?id=ED627020>.

⁴⁹ Charlie Eaton, *Bankers in the Ivory Tower* (University of Chicago Press, 2022), <https://press.uchicago.edu/ucp/books/book/chicago/B/bo125285299.html>.

⁵⁰ Berman, *Creating the Market University*. Previously, research funding had been justified through a mix of rhetorics, which varied with the domain of research in question. As Berman shows, it had been much more common, starting with the development of robust continuous federal research funding in the immediate aftermath of World War II, for research to be discussed as inherently valuable and as the scientific process as in need of protection from the influence of commerce. Different federal funding programs had different rules for patentability, many of which remained ill-defined. When budget-conscious legislators of the 1970s began to doubt the value of continued funding for basic research, they were dissuaded most by economists' arguments about the need to keep the funding going to maintain business competitiveness by increasing productivity. For those who advanced these arguments, it did not seem at all inappropriate to think about commercial viability and, indeed, to encourage maximal commercialization.

⁵¹ Dominic Russel, Carrie Sloan, and Alan Smith, *The Financialization of Higher Education: What Swaps Cost Our Schools and Students* (Roosevelt Institute, 2016), <https://rooseveltinstitute.org/publications/the-financialization-of-higher-education>.

financial drain for at least some universities (which is not to say it does not produce enormous benefits, of course).⁵² During an era when the overall cost of education seems to have gone *down*—largely because of the adjunctification of faculty—universities have increased their costs in part by increasing the number of administrators hired to manage money.⁵³

Creeping Market Logic

In part because of this diversification of revenue and the more sophisticated financial management it required, policymakers and university administrators were becoming more inclined to think about colleges as businesses in need of more market discipline. This shift in thinking was part of a broader ideological shift that had been developing for some time but that accelerated in the face of the crises of the 1970s and as neoclassical economists became more influential.

Policymakers also began to adopt economists' framing of the value of education in terms of "human capital" development. Individual students were increasingly considered investors in their own productivity—and, thus, wage-earning capacity. Colleges were talked about as selling a mix of on-campus consumption and investment in future wages.⁵⁴ The university came to seem

Once it was realized that public colleges could raise tuition without seeing meaningful reductions in attendance (in part because of the federal government's demand-side subsidy programs), legislatures began to depend on them to clear up this fiscal space.

more like a service provider to consumer-students. As these forms of rhetoric developed, public colleges viewed themselves as part of the same "market" as private colleges and began to imitate some of their practices, such as charging higher tuition and advertising to students from around the country. Students' choice between schools came to be seen as an important exercise of their autonomy and as a disciplining mechanism for schools.⁵⁵

Meanwhile, under the influence of "new public management" philosophy, state legislators and governors began to talk about the need to "reinvent government." They advocated for "efficiency" and "accountability" in public sector institutions and often

⁵²Christopher Newfield, *The Great Mistake* (Johns Hopkins University Press, 2016), https://press.jhu.edu/books/title/11659/great-mistake?srsId=AfmBOooe4nN0wVRITF8Jx_nBDIdO9rvIzMdXVnQf9sXgTYGNRUnagS6E.

⁵³ Kimball and Iler, *Wealth, Cost and Price*.

⁵⁴ Liebenthal, *Burdened*.

⁵⁵Newfield, *The Great Mistake*. Human capital theory does not inherently require thinking about education primarily in terms of its impact on students' future wages and productivity. Much research on education as human capital has used a broader concept that attempts to measure education's impact on health, on efficiency of household management, and other aspects of human well-being. See McMahon, *Higher Learning* (2009). That said, the way human capital theory made its biggest impact in politics during this period was by introducing the basic model of education as individual investment.

for “market discipline” to create “incentives” to achieve those outcomes. Within higher education, new public management responded to the crisis of new budget constraints and a perceived crisis in education quality. A steady dirge of reports from national task forces—“A Nation at Risk,” “Involvement in Learning,” “Time for Results”—questioned students’ learning outcomes and called for reforms that would make educational institutions more accountable for producing these outcomes.⁵⁶

Many of these styles of thinking were reinforced by emerging networks of nonprofit policy advocacy organizations, some explicitly right-wing (like the American Legislative Exchange Council) and others adopting the posture of disinterested experts wanting only better educational outcomes (such as the Gates Foundation and Lumina). As these organizations built their capacity, elected officials came to rely on them for policy advice at least as much as they relied on the professional staff of state employees at higher education governance institutions.⁵⁷

Together, these pressures created a new ecosystem for higher education policy at the state level that focused on making higher education work more like an imagined market.

Shifts in Funding

Although some authors have reported an overall decline in state funding per full-time equivalent student (funding per-FTE) during the Neoliberal Era,⁵⁸ that result seems to depend on the timeframe counted. Below is a graph of the SHEEO’s measure of funding per-FTE averaged across all states and Washington, DC, from 1980 to 2024. The graph does not show a long-term decline. Rather, funding remains more or less constant on average, dipping above and below that average at different points, with an especially deep dip after the 2008 global financial crisis.

⁵⁶ McGuinness, *State Policy Leadership*; Michael K. McLendon, Russ Deaton, and James C. Hearn, “The Enactment of Reforms in State Governance of Higher Education: Testing the Political Instability Hypothesis,” *Journal of Higher Education* 78, no. 6 (2007): 645–75. <https://jstor.org/stable/4501238>.

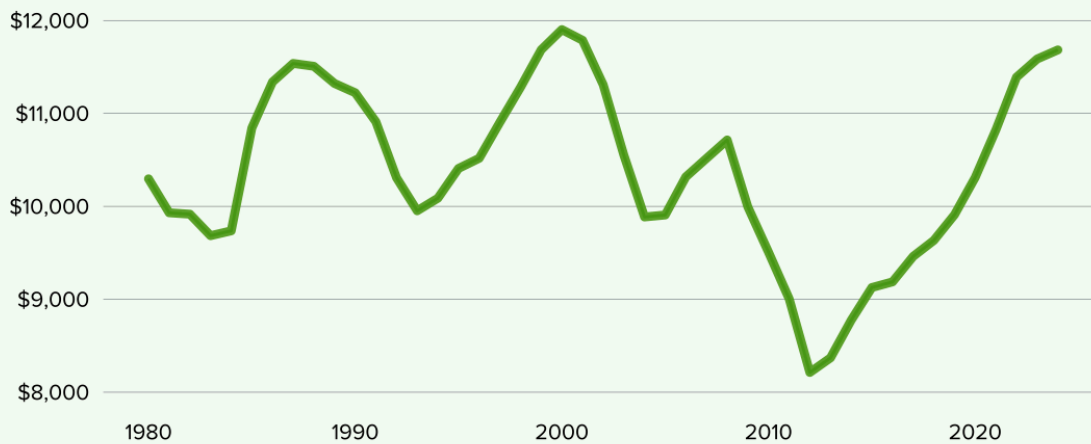
⁵⁷ Nabih Haddad, “Philanthropic Foundations and Higher Education: The Politics of Intermediary Organizations,” *Journal of Higher Education* 92, no. 6 (2021): 897–926. <https://doi.org/10.1080/00221546.2021.1888635>; McGuinness, *State Policy Leadership*; Alex Hertel-Fernandez, *State Capture* (Oxford University Press, 2019), <https://global.oup.com/academic/product/state-capture-9780190870799?cc=us&lang=en&>.

⁵⁸ James C. Hearn and Eric C. Ness, “The ecology of state higher-education policymaking in the US” in *Towards the Private Funding of Higher Education*, ed. David Palfreyman, Ted Tapper, and Scott Thomas (Routledge, 2017), <https://taylorfrancis.com/chapters/edit/10.4324/9781315537412-3/ecology-state-higher-education-policymaking-us-james-hearn-erik-ness>.

Figure 2

Yearly Average Appropriations per Full-Time Equivalent Student

Across all states and Washington, DC, 1980–2024



Source: State Higher Education Executive Officers (SHEEO)



Austerity and Exposure to Economic Fluctuations

The pattern of dips in Figure 2 is consistent with a ratchet effect tied to macroeconomic cycles first identified by Jennifer Delaney and William Doyle. In their terminology, higher education funding became the “balance wheel” for state budgets starting in the 1980s.⁵⁹ During economic downturns, state Medicaid budgets would increase due to increased demand while tax revenues would decrease with decreased income. Faced with balanced budget requirements and, in many states, limits on raising tax rates (as well as the fact that most states were also increasing police and prison budgets in the long term, which removed further room for maneuver), state governments would have to look for budget lines to cut. Once legislatures realized that colleges could make up the shortfall by increasing tuition without facing serious political backlash or reduced demand—because students could pay with federal grants and/or debt, which they were advised was a good investment—funding for higher education was usually the most attractive budget line. During upturns, state governments would then slowly increase funding to higher education. But, as we will discuss, colleges would not reduce tuition—instead they would find other ways to use it. The ratchet effect of this balance wheel (to mix metaphors) was especially strong

⁵⁹ Jennifer Delaney and William Doyle, “State Spending on Higher Education: Testing the Balance Wheel Over Time,” *Journal of Education Finance* 36, no. 4 (2011): 343–68, <https://jstor.org/stable/23018116>.

after the 2008 financial crisis, during which state funding to higher education plummeted and did not come close to recovering to 2007 levels until the influx of relief funding during the COVID-19 crisis.⁶⁰

Performance-Based Funding Formulas

Also starting in the 1980s, many state governments began to change their funding formulas, i.e., how they allocate general operating expenses among colleges. Most notably, “performance-based funding,” which was first introduced in Tennessee in 1979, spread throughout the 1980s and 1990s, most rapidly in Republican-controlled states.⁶¹ Purely performance-based funding receded somewhat in the 1990s (when policymakers realized it did not actually improve the outcomes it sought to improve), but hybrid models that included some performance-based elements remained. Modified performance-based models resurged when states sought ways to cut budgets after the 2008 crisis.⁶²

Advocates of performance-based funding employed the characteristically neoliberal argument that the model produces market-like incentives for colleges to avoid wasteful spending and instead focus on spending that produces the most socially valuable outcomes.⁶³ Desired outcomes usually included high levels of enrollment, retention, graduation rates, and remunerative work for graduates. As we will discuss further below, these programs have not worked, even on their own terms, but they do seem to have contributed to better-resourced institutions receiving a higher portion of the constantly fluctuating pot of public funding.⁶⁴

⁶⁰Delaney and Doyle, “State Spending”; Jennifer Delaney, “Introduction: Volatility in State Spending for Higher Education” in *Volatility in State Spending for Higher Education*, ed. Jennifer Delaney (American Educational Research Association, 2023), <https://aera.net/Publications/Volatility-in-State-Spending-for-Higher-Education>; McGuinness, “The States and Higher Education.”

⁶¹Erin Whinnery and Tom Keily, “Paying for College: The Latest Trends in Performance-Based Funding,” *Education Commission of the States*, February 20, 2024, <https://ecs.org/paying-for-college-the-latest-trends-in-performance-based-funding>; Hillman, Dziesinski, and You, *Designing*.

⁶²Nicholas Hillman, “Why Performance-Based College Funding Doesn’t Work,” *The Century Foundation*, May 25, 2016, <https://tcf.org/content/report/why-performance-based-college-funding-doesnt-work>.

⁶³Mary B. Ziskin, Karyn E. Rabourn, and Donald Hossler, “Performance-Based Funding of Higher Education: Analyses of Policy Discourse Across Four Case Studies,” *Journal for Critical Education Policy Studies* 16, no. 2 (2018): 164–210,

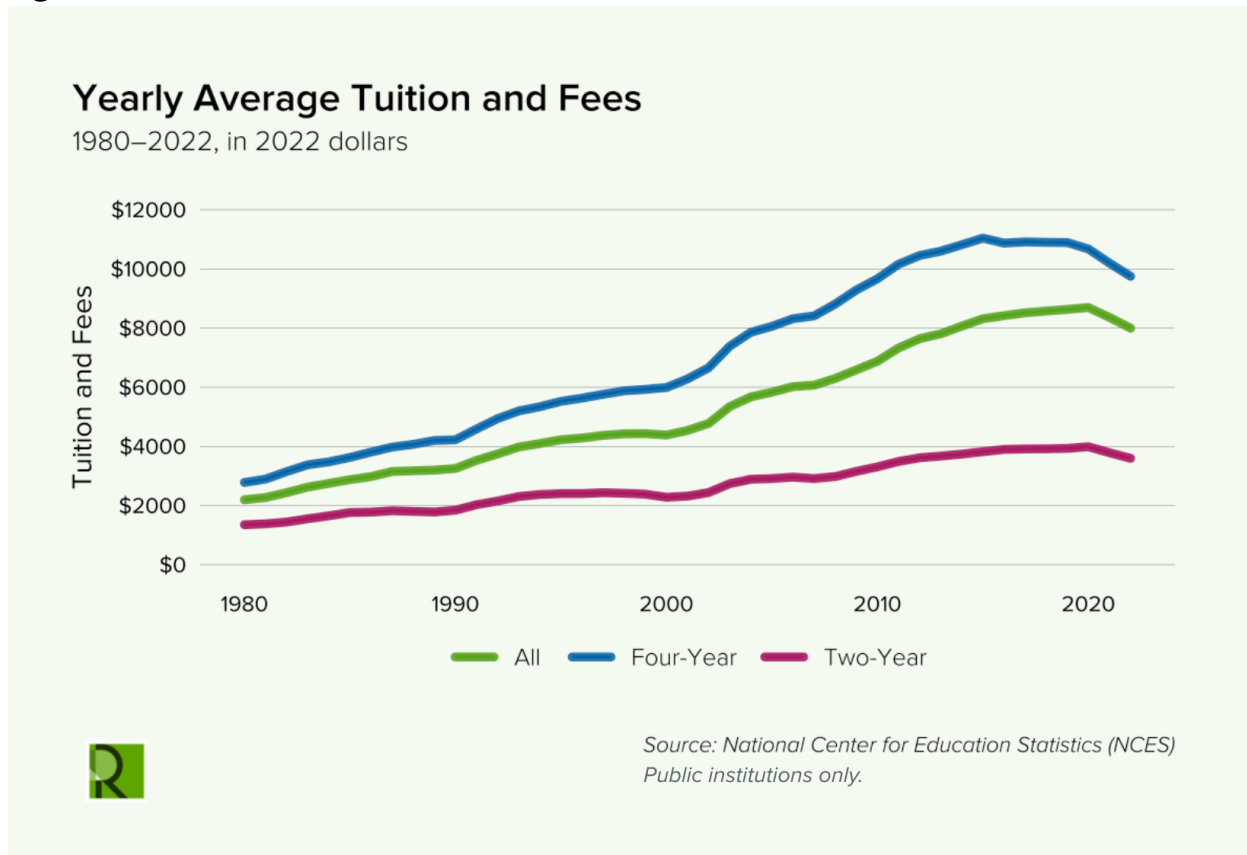
https://ecommons.udayton.edu/cgi/viewcontent.cgi?article=1223&context=eda_fac_pub.

⁶⁴Hillman, “Why Performance-Based”; Yahya Mohammad Alshehri, “Performance-Based Funding: History, Origins, Outcomes, and Obstacles,” *Journal of Higher Education Theory and Practice* 16, no. 4 (2016), <https://articlegateway.com/index.php/JHETP/article/view/1988/1888>.

Tuition

Universities adopted multiple revenue diversification strategies, as discussed above, but the most important replacement for state-level direct funding was tuition.⁶⁵

Figure 3



Average tuition at public colleges (in CPI-adjusted dollars) septupled between 1980 and 2008. It then nearly doubled again between 2008 and 2023, meaning tuition is now more than 12 times as much as it was in 1980.⁶⁶ Public colleges also brought in more research funding—mostly from the federal government—and revenue from hospitals

⁶⁵ Which is not to say that funding cuts *caused* higher tuition. The dynamic has been more complicated. As Christopher Newfield (*The Great Mistake*) has pointed out, public colleges started to increase tuition before budget cuts started to bite in the latter half of the 1980s. And many public colleges have increased tuition even in years in which their budgets were not cut. Moreover, as just discussed, state governments chose to cut funding in part because they knew colleges could increase tuition if they needed to, which means that tuition increases are part of the cause of budget cuts!

⁶⁶ “Average undergraduate tuition, fees, room, and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: Selected academic years, 1963–64 through 2022–23,” Digest of Education Statistics, accessed September 2025, https://nces.ed.gov/programs/digest/d23/tables/dt23_330.10.asp.

and other revenue-generating branches of the “multiversity.”⁶⁷ Because of increased costs associated with these activities, however, is not entirely clear that they produced a net increase in revenue.

Students and their families did not bear the full burden of tuition increases. The federal government continued to direct subsidies to colleges through a combination of grants and loans to students (moving increasingly away from grants and toward loans starting in the 1980s).⁶⁸ States also began to increase their own support to select students during this time.⁶⁹ Spurred on by the State Student Incentive Grant system in the 1972 Higher Education Act Amendments,⁷⁰ every state had a need-based grant program by 1980.⁷¹ In an era in which policymakers increasingly favored promoting student choice and market competition between colleges, these demand-side subsidies took on new importance.

On average, state need-based programs increased in size between 1980 and 2012, though they did not come close to compensating for the reduction in federal grant aid that took place over this period. Starting with Georgia’s HOPE Scholarship in 1993, many states began to add merit-based scholarships as well, mostly in the form of blanket tuition reductions to all in-state high school graduates who exceeded a threshold GPA. The evidence is mixed on whether merit-based scholarships crowded out or supplemented need-based scholarships. Many states also experimented with less generous burden reductions like tax-preferred savings plans and the ability to lock in tuition rates by prepaying.⁷²

Together, these policy changes resulted in a shift of state resources away from direct allocation of public colleges’ general operating expenses and toward a tangle of overlapping programs to help students pay for ever-rising tuition at both public and private institutions. This was only a relative shift—the great majority of state higher education funding continues to go directly to public colleges—but it was substantial nevertheless.⁷³

⁶⁷Sophia Laderman, Kristen Cummings, Jason C. Lee, David Tandberg, and Dustin Weeden, “Higher Education Finance in the United States: Sources of Funding and Impacts of State Investments,” in *Comparative Higher Education Politics* 157, ed. Jens Jungblut et al. (Springer, 2023), https://link.springer.com/chapter/10.1007/978-3-031-25867-1_7.

⁶⁸Liebenthal, *Burdened*.

⁶⁹Laderman, Cummings, Lee, Tandberg, and Weeden, “Higher Education Finance.”

⁷⁰Pub. L. 92-318, <https://govinfo.gov/content/pkg/COMPS-11127/pdf/COMPS-11127.pdf>.

⁷¹William R. Doyle, “Does Merit-Based Aid ‘Crowd Out’ Need-Based Aid?” *Research in Higher Education* 51, no. 5 (2010): 397-415, <http://dx.doi.org/10.1007/s11162-010-9166-3>.

⁷²Doyle, “Merit-Based”; Michael K. McLendon, Donald E. Heller, and Steven P. Young, “State Postsecondary Policy Innovation: Politics, Competition, and the Interstate Migration of Policy Ideas,” *Journal of Higher Education* 76, no. 4 (2005): 363-400, <https://jstor.org/stable/3838845>.

⁷³Michael K. McLendon, David A. Tandberg, and Nicholas W. Hillman, “Financing College Opportunity: Factors Influencing State Spending on Student Financial Aid and Campus Appropriations, 1990 through 2010,” *Annals of the American Academy of Political and Social Science* 655 (2014): 143-162, <https://jstor.org/stable/24541754>.

Shifts in Governance

State governments also began to experiment with governance reforms. Some of these experiments sought to decentralize decision-making, while others sought to centralize it. But they were all motivated by a common concern for making statewide governance institutions less independent in order to increase the “accountability” of public colleges, both to elected officials’ goals as expressed through the political process and to students’ ambitions, as expressed through their choices within the higher education market. Elected officials tended to prioritize measurable outcomes that were assumed to align with students’ ambitions: enrollment and retention rates, graduating sufficient students with marketable degrees. They also tended to prefer governance that rewarded desired outcomes rather than that which implemented barriers to entry. As McLendon, Deaton, and Hearn put it, the changes in these states “focused on efficiency rather than equity, choice rather than standardization, decentralized rather than centralized decision-making, performance rather than process, and outcome rather than input measures.”⁷⁴

We have already seen one important governance reform: the shift in funding formulas toward incorporating more performance-based allocational criteria. In order to implement these criteria, as well as other accountability efforts, states had to build capacity in collecting and analyzing information about student outcomes.⁷⁵ State governance institutions that were not disempowered or decentralized acquired the capacity for information collection, which contributed to a shift in their role in the planning process.

Decentralization Efforts

Yet many states did break apart their statewide governance institutions, and even those that did not often moved the locus of coordination away from these institutions and toward political branches and campus boards. New Jersey, Oregon, Hawaii, Arkansas, and South Carolina all took measures to move power out of statewide coordinating agencies, moving many authorities back to campuses, with elected officials monitoring at a high level.⁷⁶ West Virginia, Arizona, Kentucky, and Florida also undertook decentralizing reforms. The first three split unified systems into separate systems for four-year and two-year colleges. Florida totally reorganized its higher education governance; as McLendon, Deaton, and Hearn explain, it “dismantl[ed] its long-standing, powerful consolidated governing board” in favor of “local boards of trust for each of the state’s 11 public universities, devolving the campus level much of the authority of the former state board” while also establishing a new K–12 “superboard.” Overall, this new structure moved power away from civil service bureaucrats and

⁷⁴ McLendon, Deaton, & Hearn, “Enactment of Reforms.”

⁷⁵ McGuinness, *State Policy Leadership*.

⁷⁶ McLendon, Deaton, & Hearn, “Enactment of Reforms.”



toward political appointees, which ultimately meant the governor, who had the authority to appoint nearly all the leadership—including 100 new additional positions created by the reforms.⁷⁷

Centralization Efforts

Several states enacted reforms that seemed to move in the opposite direction. Colorado, Nebraska, Texas, Montana, and Louisiana created or strengthened the authority of their coordinating boards, while Alaska, Massachusetts, and Minnesota joined together systems that had previously governed different sectors of higher education separately.⁷⁸ However, even where consolidation occurred, state coordinating boards often became less important to coordination as governors and legislators built up staff with expertise and education reform nonprofits played a larger role in influencing policymaking. According to leading scholar of state governance boards Aims McGuinness, the overall trend of change “was that state coordinating entities continued to drift away from and lose relevance in the core state decision-making processes of the governor, the state budget office, and the legislative finance and appropriations committees.”⁷⁹

The landscape of governance institutions was much more complex after the waves of reform in the neoliberal period. Many states had mixes of multiple types of agencies, and even states with consolidated entities endowed those entities with different mixes of capacities and responsibilities. But, on net, statewide coordinating agencies had become less important while also becoming more focused on monitoring campuses’ ability to produce outcomes determined by elected officials. Governors in particular became more important in setting the agenda for public higher education institutions.⁸⁰ During an era in which governors ran as budget cutters, this shift in power contributed to a dynamic of disinvestment. In the more recent gubernatorial turn toward attacking academic freedom and diversity, equity, and inclusion, the shift has taken on a more authoritarian aspect.

Outcomes of the Neoliberal Era: Privatization of Public Education

Separately and together, the reforms of the Neoliberal Era made public colleges operate more like private colleges: more dependent on student tuition, private donations and

⁷⁷ McLendon, Deaton, & Hearn, “Enactment of Reforms.”

⁷⁸ McLendon, Deaton, & Hearn, “Enactment of Reforms.”

⁷⁹ McGuinness, *State Policy Leadership*.

⁸⁰ McGuinness, *State Policy Leadership*; McLendon, Deaton, & Hearn, “Enactment of Reforms”; Michael K. McLendon, James C. Hearn, and Christine G. Mokher, “Partisans, Professionals, and Power: The Role of Political Factors in State Higher Education Funding,” *Journal of Higher Education* 80, no. 6 (2009): 686-713, <https://jstor.org/stable/27750757>.

financial instruments; more status-seeking; more focused on recruiting from multiple states; and more governed by nonexperts with money and power.⁸¹ This transformation made public higher education—and thus higher education overall—more unequal. It became more unequal both in the sense that some institutions fared significantly better than others and in the sense that privileged and underprivileged students moved farther apart. Indeed, these dynamics were interlocking.

The Basic Privatization Dynamic

A small group of elite public flagships—Michigan, UC Berkeley, UT Austin, and so on—compete with elite private colleges for high-performing and/or ultra-wealthy students, provide relatively high-end amenities, and have become increasingly difficult for students from disadvantaged backgrounds to get into and to graduate from. A larger group of less-elite public schools, many of which are flagships, market themselves as near-elite and/or “party schools” to attract wealthy students from out-of-state. These institutions structure their curricular and extracurricular offerings in a way that better serves these wealthy students than less-wealthy in-state students, who often succeed by transferring away.⁸² Regional campuses engage in much less recruiting and admit a much higher fraction of students but are often resource-starved and highly

These policy changes resulted in a shift of state resources away from direct allocation of public colleges’ general operating expenses and toward a tangle of overlapping programs to help students pay for ever-rising tuition at both public and private institutions.

subsidy-dependent, making them vulnerable to budget cuts and even closure. Community colleges serve the highest portion of poor, first-generation, and Black and brown students with the fewest resources. Previous efforts to spread investment more evenly among flagship, regional, and community colleges and to promote mobility between them have faded. Students in most need of resources get the fewest, and students with the greatest family wealth get the most.⁸³

The core factor in producing privatization has been the decreased reliability of direct state funding. For both four-year and two-year colleges, a drop in state funding is associated with a significant reduction in enrollment and BA completion, with larger

⁸¹Robert C. Lowry, “The Political Economy of Public Universities in the United States: A Review Essay,” *State Politics and Policy Quarterly* 7, no. 3 (2007): 303–324, <https://jstor.org/stable/40405606>.

⁸²Crystal Han, Ozan Jaquette, and Karina Salazar, *Recruiting the Out-of-State University: Off-Campus Recruiting by Public Research Universities* (Joyce Foundation, 2019), https://ozanj.github.io/joyce_report/#/title.

⁸³Hillman, Dziesinski, and You, *Designing Higher Education*; Barrett J. Taylor and Brendan Cantwell, *Unequal Higher Education: Wealth, Status, and Student Opportunity* (Rutgers University Press, 2019), <https://rutgersuniversitypress.org/unequal-higher-education/9780813593494>; Zachary Bleemer and Sarah Quincy, “Changes in the College Mobility Pipeline Since 1900,” NBER Working Paper 22797 (2025), https://nber.org/system/files/working_papers/w33797/w33797.pdf.

reductions for Black and Hispanic students.⁸⁴ At four-year colleges, losing revenue from state subsidy has usually been met with an increase in tuition to compensate (tuition has gone up in both fat and lean years, but it goes up more rapidly during downturns).⁸⁵ The most elite four-year public colleges tend to be less tuition- and subsidy-reliant because of their endowments and other sources of revenue.⁸⁶ Regional public schools and less-elite flagships are highly dependent on either state funding or tuition, meaning a drop in the former requires an increase in the latter, budget cuts, or some combination of the two.⁸⁷ Overall, however, decreases in state funding at both more and less elite public institutions have led to increases in tuition, with the relationship becoming stronger over time.⁸⁸

As more public colleges have become tuition-reliant over time, colleges that cannot attract students who can pay high tuitions find themselves in increasingly dire financial straits.⁸⁹ Decreases in state funding at four-year colleges have been associated with increases in student debt and likelihood of debt default. At two-year community colleges, meanwhile, a drop in funding has usually been met with a reduction in spending rather than an increase in intuition. In terms of student outcomes, that does not mean that students at those institutions take on more debt, but it does mean less likelihood of graduating, of moving to a four-year school, or of class mobility.⁹⁰ Reduced funding to community colleges may increase student debt levels through other means, however. To the extent that inadequate funding leads community colleges to ration seats or to fail to advertise their offerings, it may open space for for-profit colleges to fill the gap—and for-profit colleges are debt machines.⁹¹

⁸⁴Tomás Monarrez, Fernando Hernandez-Lepe, and Macy Rainer, *Impact of State Higher Education Finance on Attainment*, (Urban Institute, 2021), <https://urban.org/research/publication/impact-state-higher-education-finance-attainment>; Rajashri Chakrabarti, Nicole Gorton, and Michael F. Lovenheim, “State Investment in Higher Education: Effects on Human Capital Formation, Student Debt, and Long-Term Financial Outcomes of Students,” *NBER Working Paper* 27885 (2020), <https://nber.org/papers/w27885>. See also Laura Hamilton and Kelly Nielsen, *Broke: The Racial Consequences of Underfunding Public Universities* (University of Chicago Press, 2021), <https://press.uchicago.edu/ucp/books/book/chicago/B/bo33896239.html>.

⁸⁵ Chakrabarti, Gorton, and Lovenheim, “State Investment.”

⁸⁶ Taylor and Cantwell, *Unequal Higher Education*.

⁸⁷ Chakrabarti, Gorton, and Lovenheim, “State Investment.”

⁸⁸ Laderman, Cummings, Lee, Tandberg, and Weeden, “Higher Education Finance.”

⁸⁹ Taylor and Cantwell, *Unequal Higher Education*.. There is some controversy about how strong this relationship is, see Jason Delisle, “The Disinvestment Hypothesis: Don’t Blame State Budget Cuts for Rising Tuition at Public Universities,” Brookings Institution, June 1, 2017, <https://brookings.edu/articles/the-disinvestment-hypothesis-dont-blame-state-budget-cuts-for-rising-tuition-at-public-universities>.

⁹⁰ Chakrabarti, Gorton, and Lovenheim, “State Investment.”

⁹¹Charlie Eaton, Jacob Habinek, Adam Goldstein, Cyrus Dioun, Daniela García Santibáñez Godoy, and Robert Osley-Thomas, “The Financialization of US Higher Education,” *Socio-Economic Review* 14, no. 3 (2016): 507–35, https://sites.ucmerced.edu/files/ceaton2/files/manuscript_financialization_higher_ed_2016.pdf; Treasure McMillan Cottom, *Lower Ed* (The New Press, 2017), <https://thenewpress.org/books/lower-ed/?v=eb65bcceaa5f>.

Tuition-reliance has also encouraged relatively high-status public colleges to focus more on recruiting wealthier students, often from out of state. Students who can pay full tuition—which is usually substantially lower than that at the private colleges those students might also be considering—produce a more reliable source of income, are more likely to have parents who will spend and/or donate money over and above tuition, and are more likely to donate money themselves after graduation.⁹² They can be recruited through some combination of touting the school’s educational bona fides and its party/sports life. A slightly different way of recruiting wealthy students occurs more indirectly through efforts to retain high-achieving students. High-achieving students are recruited not for their money per se—indeed, they are often offered some form of “merit aid”—but because their academic success reflects well on the college’s reputation and helps recruit high-status (and high-earning) researchers. Yet, since college preparation is strongly associated with family wealth, even merit-based recruitment efforts tend to favor wealthier students. Through a combination of these efforts, public colleges become much more focused on out-of-state students over time. This effect is especially pronounced at research universities and flagships. Whereas a 10 percent decline in state appropriations was associated with a 2.7 percent increase in out-of-state enrollment for all public colleges, a similar decline was associated with a 5 percent increase in out-of-state enrollment at public research universities. And this out-of-state enrollment has crowded out in-state students at flagships, which are more selective in their admissions.⁹³

In sum, the privatizing effects of the Neoliberal Era have increased inequality and polarization among public colleges—richer colleges have gotten richer while serving richer students, and poorer colleges have gotten poorer while serving poorer students.⁹⁴ Students with the highest needs now have access to the fewest resources. The increasingly regressive sorting in public colleges has occurred while the labor market has also become more unequal, with increasingly high returns for those with college degrees, especially from research-oriented institutions, and especially if the degree is in engineering or finance. Put the two dynamics together and they produce a world in which rich students become richer by attending richer colleges that sort them into higher-income jobs, while poor students become poorer by attending poorer colleges that sort them into lower-income jobs—with fewer folks in the middle.⁹⁵

⁹² Elizabeth A. Armstrong and Laura T. Hamilton, *Paying for the Party* (Harvard University Press, 2013), <https://jstor.org/stable/j.ctt2jbr6k>.

⁹³ Ozan Jaquette, *State University No More: Out-of-State Enrollment and the Growing Exclusion of High-Achieving, Low-Income Students at Public Flagship Universities*, (Jack Kent Cooke Foundation, 2017), <https://jkcf.org/research/state-university-no-more-out-of-state-enrollment-and-the-growing-exclusion-of-high-achieving-low-income-students-at-public-flagship-universities>.

⁹⁴ Scott Davies and David Zarifa, “The Stratification of Universities: Structural Inequality in Canada and the United States,” *Research in Social Stratification and Mobility* 30, no. 2 (2012): 143–158, <https://doi.org/10.1016/j.rssm.2011.05.003>.

⁹⁵ Bleemer and Quincy, “Changes”; David H. Autor, “Skills, education, and the rise of earnings inequality among the ‘other 99 percent,’” *Science* 344, no. 6168 (2014), <https://science.org/doi/10.1126/science.1251868>.

State Policies That Exacerbate the Dynamic

Other state higher education policies from the Neoliberal Era have reinforced these dynamics. Performance-based funding models, for instance, have disproportionately benefited the public universities that are already well-resourced while diverting resources away from schools with greater shares of underrepresented students. That is because the results they seek to produce (recruitment, graduation) are easier to achieve for students from wealthier backgrounds and institutions with more resources. Thus, performance-based funding rewards institutions for having more resources and serving wealthier and whiter students.⁹⁶

Meanwhile, the erosion of statewide governance functions and the shift of decision-making to elected officials has resulted in an erosion of forums for statewide and longer-term strategic thinking. Instead, “[t]urnover in political leadership, term-limits and political divisions mean that short-term agendas” drive policymaking.⁹⁷ Master plans no longer knit community colleges to flagships—each competes in its own domain. Think tanks and advocacy organizations are left to fill the gaps, but these organizations have their own agendas and lack infrastructure to replace planning apparatuses in every state.⁹⁸

One characteristic neoliberal policy—the shift from funding colleges to funding students—has somewhat helped mitigate the growing inequality just described. States that provide more aid to students have higher enrollment and graduation rates, with disproportionately dramatic effects for Black and Hispanic students.⁹⁹ But not all of these programs work equally well (for instance, merit aid seems to mostly improve enrollment without having much effect on completion), and, in general, these aid programs are not nearly big or comprehensive enough to reverse the effects just described.¹⁰⁰ Moreover, they do not combat the ever-increasing tuition bill, which creates a sticker shock that reduces enrollment and attainment. Overall, these demand-side efforts to make college affordable without “wasting” spending on higher-income families have mainly served to provide evidence that such affordability

⁹⁶ Alshehri, “Performance-Based Funding”; Hillman, “Why Performance-Based”; Brittany Whitely and Alan Moss, *Performance-Based Funding for Higher Education* (MOST Policy Initiative, 2021), <https://mostpolicyinitiative.org/wp-content/uploads/2021/03/Performance-Based-Funding-V2.pdf>.

⁹⁷ McGuinness, *State Policy Leadership*.

⁹⁸ Haddad, “Philanthropic Foundations.”

⁹⁹ Monarrez, Hernandez-Lepe, and Rainer, *Impact of State Higher Education Finance*; Laderman, Cummings, Lee, Tandberg, and Weeden, “Higher Education Finance.”

¹⁰⁰ Susan Dynarski, “Hope for whom? Financial aid for the middle class and its impact on college attendance,” *National Tax Journal* 53, no. 3.2 (2000), <https://journals.uchicago.edu/doi/10.17310/ntj.2000.3S.02>; Maria D. Fitzpatrick and Damon Jones, “Higher education, merit-based scholarships and post-baccalaureate migration,” *NBER Working Paper* no. 18530 (2012), <https://nber.org/papers/w18530>; Judith Scott-Clayton and Basit Zafar, “Financial aid, debt management, and socioeconomic outcomes: post-college effects of merit-based aid,” *Journal of Public Economics* 170 (2019): 68–82, <https://doi.org/10.1016/j.jpubeco.2019.01.006>.

and expansion of access cannot be achieved without supply-side subsidy and tuition reductions.¹⁰¹

Explaining Variations in Neoliberalization Across States

Although the broad direction of change during the Neoliberal Era has been clear—and, in particular, privatization has occurred to a substantial degree in every state—there has been substantial variation in both intensity of change and in the details. Not every state changed its governance institutions, some states reduced direct funding very little if at all, and most states did not adopt performance-based funding. Researchers have identified some patterns in these variations, but these patterns do not all move in the same direction. And the changes of the Neoliberal Era only increased the variation in how states manage their systems.

Perhaps the most consistent finding across studies is the differences associated with partisan control. Although both Democrat-controlled and Republican-controlled governments favored many of the reforms discussed above, Republican governments and states with more conservative populations were relatively more likely to dip into the neoliberal playbook. Funding cuts were more likely and deeper in states with higher percentages of Republicans in the state legislature, with Republican governors, and with a more conservative-polling populace (although that may be changing in recent years, as discussed in Section V).¹⁰² Republican-controlled legislatures also seem more likely to decentralize governance and to impose performance-based funding.¹⁰³

Several other factors have been shown to make states more likely to cut funding. States in which tax revolts imposed procedural limitations on legislatures' ability to raise taxes (whether in the form of caps in revenue raising or supermajority requirements for any tax increase) cut funding much more than those that did not—such measures explain *half* the variation in spending cuts in the 1980–2001 period.¹⁰⁴ States with more powerful governors (stronger veto powers, larger roles in appointing and removing education officials) also cut more, as did those with fewer alumni from public colleges

¹⁰¹David J. Deming, “The Economics of Free College,” Econfip Research Brief, June 2019, <https://econfip.org/wp-content/uploads/2019/07/the-economics-of-free-college.pdf>.

¹⁰²Robert Kelchen, Justin Ortagus, Kelly Rosinger, Dominique Baker, and Mitch Lingo, “The Relationships Between State Higher Education Funding Strategies and College Access and Success,” *Educational Researcher* 53, no. 2 (2023), <https://doi.org/10.3102/0013189X231208964>. Interestingly, this switches the direction from the pre-1980 period, in which Democrats tended to spend less on higher education. Archibald and Feldman, “State Higher Education Spending.” But see Lowry, “Political Economy.”

¹⁰³Michael K. McLendon, Donald E. Heller, and Steven P. Young, “State Postsecondary Policy Innovation”; Michael K. McLendon, James C. Hearn, and Christine G. Mokher, “Partisans, Professionals, and Power”; James C. Hearn and Eric C. Ness, “The Ecology of State Higher-Education Policymaking”; Raquel M. Rall, Demetri L. Morgan, Felecia Commodore, Daniel A. Collier, and Dan Fitzpatrick, “State Postsecondary Boards as Policy Influencers During the Early Stages of COVID-19,” *Educational Policy* 39, no. 1 (2025), <https://doi.org/10.1177/08959048231204338>.

¹⁰⁴Archibald and Feldman, “State Higher Education Spending.”

in the legislature.¹⁰⁵ These differences in political institutions also interacted with differences in demographics. According to one study, states with a relative decline in their white populations saw greater cuts to higher education funding—an effect that may indicate white-majority populations being less willing to fund public goods for populations racialized as non-white.¹⁰⁶ This effect was stronger in states that were controlled by unified Republican governments. In fact, in states in which white representation did not decline, a unified Republican government was associated with increases in appropriations to higher education.¹⁰⁷

It has been more difficult to account for variation in governance reforms. Differences in demography, economic conditions, and funding cuts do not seem to have had an effect. Some studies find that proximity to a state that adopted multiple reforms did seem to make a state more likely to adopt one, but other studies find negligible effects. The most significant factor of those that have been studied is a switch from divided to unified partisan control. McLendon, Deaton, and Hearn have suggested that this finding fits most closely with McGuinness’s “political instability hypothesis,” which posits that changed partisan and ideological control over state governments produces “political instability” by making those new governments more interested in changing existing institutions in some way.¹⁰⁸ This hypothesis may also be consistent with efforts to remove forms of expertise that contradict the agendas of neoliberal elected officials.

¹⁰⁵ Delaney, *Volatility*; David A. Tandberg, Jacob T. Fowles, and Michael K. McLendon, “The Governor and the State Higher Education Executive Officer: How the Relationship Shapes State Financial Support for Higher Education,” *Journal of Higher Education* 88 (2017): 110–134, <https://doi.org/10.1080/00221546.2016.1243945>. There are contradictory results on whether a centralized governing board increases or decreases support. See David A. Tandberg, “The Conditioning Role of State Higher Education Governance Structures,” *Journal of Higher Education* 84 (2013): 506–543, <https://doi.org/10.1080/00221546.2013.11777300> (consolidated boards have complex effect, making spending less likely if powerful governor but more likely if not, reducing impact of other lobbying groups, and other effects); Michael K. McLendon, Donald E. Heller, and Steven P. Young, “State Postsecondary Policy Innovation” (centralized boards made innovations in financial policy but not governance measures more likely, but smaller effect than Republican control); William C. Doyle, Michael K. McLendon, and James C. Hearn, “The Adoption of Prepaid Tuition and Savings Plans in the American States: An Event History Analysis,” *Research in Higher Education* 51, no. 7 (2010): 659–86, <https://jstor.org/stable/40927272> (centralized governance associated with lower likelihood of adopting prepaid tuition or college savings plans); Michael K. McLendon, David A. Tandberg, and Nicholas W. Hillman, “Financing College Opportunity” (centralized governance associated with decreased spending on merit-based aid programs and increased appropriations to operating budgets); Raquel M. Rall, Demetri L. Morgan, Felecia Commodore, Daniel A. Collier, and Dan Fitzpatrick, “State Postsecondary Boards” (centralized governance associated with more likelihood of adopting COVID shutdown).

¹⁰⁶ Barrett J. Taylor, Brendan Cantwell, Kimberly Watts, and Olivia Wood, “Partisanship, White Racial Resentment, and State Support for Higher Education,” *Journal of Higher Education* 91 (2020): 858–87, <https://doi.org/10.1080/00221546.2019.1706016>.

¹⁰⁷ Barrett J. Taylor, Brendan Cantwell, Kimberly Watts, and Olivia Wood, “Partisanship.”

¹⁰⁸ McLendon, Deaton, & Hearn, “Enactment of Reforms”; McGuinness 1997.

IV. The Current Landscape of Higher Education

During the Neoliberal Era, state governments began to look for ways to make universities more efficient and businesslike. They made funding more variable and contingent, picked apart the bureaucracies they had set up to coordinate university expansions, and encouraged universities to become more reliant on tuition, more competitive, and more financialized. Income inequality took off and student debt levels skyrocketed.

In recent years, higher education politics has taken a darker and even more destabilizing turn. In important ways, this destabilization has been an intensification of neoliberal trends, as it has involved continued budget cuts and transfers of power away from planning boards. But there has also been a newly authoritarian and even nihilistic turn that seeks to undermine even neoliberal versions of universities and their governance systems. At the same time, some states have begun to increase investments and experiment with stronger efforts at affordability.

The privatizing effects of the Neoliberal Era have increased inequality and polarization among public colleges—richer colleges have gotten richer while serving richer students, and poorer colleges have gotten poorer while serving poorer students.

The intensification of neoliberal trends began with the 2008 financial crisis. As with previous downturns in the Neoliberal Era, it caused state-level budget crises. As with previous downturns, state legislatures used higher education as a balance wheel and cut funding to public institutions. And as with previous downturns, demand for higher education increased and public colleges raised tuition, cut per-student expenditures, or some combination. But this was not the same as previous downturns. Its scale and

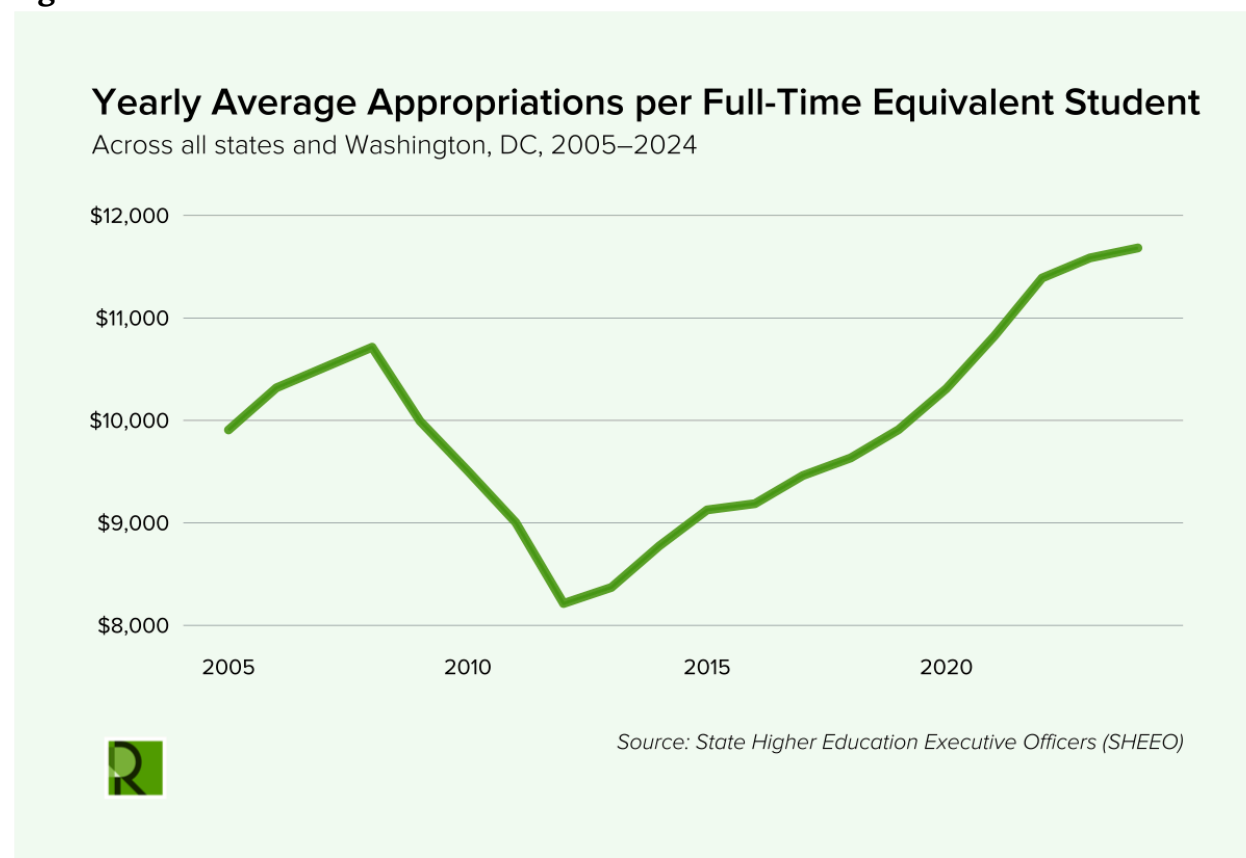
size were unprecedented in the Neoliberal Era, and the state and university budgets impacted by it had been weakened by years of previous austerity. University funding cuts and tuition increases were the largest yet, and funding did not recover to pre-crisis levels for over a decade.¹⁰⁹ The job-market downturn inspired an increase in demand for higher education, pushing many students to enroll in for-profit colleges, which increased debt levels disproportionately among Black and lower-income households.¹¹⁰

¹⁰⁹ Laderman, Cummings, Lee, Tandberg, and Weeden, “Higher Education Finance”; Newfield, *The Great Mistake*.

¹¹⁰ Cottom, *Lower Ed*; Charlie Eaton, “Agile Predators: Private Equity and the Spread of Shareholder Value Strategies to US For-Profit Colleges,” *Socio-Economic Review* 20, no. 2 (2022): 791–815, <https://doi.org/10.1093/ser/mwaa005>.



Figure 4



Several states returned to performance-based funding despite over a decade of evidence of failure.¹¹¹ And the shift of power from independent agencies to governors and deep-pocketed nonprofits accelerated, driven by cuts in staff and funding as well as governors' efforts to gain greater control.¹¹²

The size of the cuts in combination with the impact of the 2008 crisis fueled new narratives of crisis in higher education. The “student debt crisis” quickly became a focus of policy attention, and administrators began to worry about a “demographic cliff” caused by a drop in the birthrate after the 2008 crisis.¹¹³ This perspective change played out in a growing movement for expanding funding to higher education and cancelling debt, which began to counter the cost element of neoliberal policies.¹¹⁴ This shift also resulted in skepticism about the value of higher education, most notably

¹¹¹ Hillman, “Why Performance-Based.”

¹¹² McGuinness, *State Policy Leadership*.

¹¹³ Luke Herrine and Jonathan Glater, “The Student Debt Reset,” *California Law Review* (forthcoming 2026); Nathan D. Grawe, *Demographics and the Demand for Higher Education* (Johns Hopkins University Press, 2018), <https://eric.ed.gov/?id=ED598390>.

¹¹⁴ Liebenthal, *Burdened*; Luke Herrine, “The Law and Political Economy of a Student Debt Jubilee,” *Buffalo Law Review* 68, no. 2 (2020): 281, <https://digitalcommons.law.buffalo.edu/buffalolawreview/vol68/iss2/1>; Suzanne Kahn, *A Progressive Framework for Free College* (Roosevelt Institute, 2019), <https://rooseveltinstitute.org/publications/a-progressive-framework-for-free-college>.

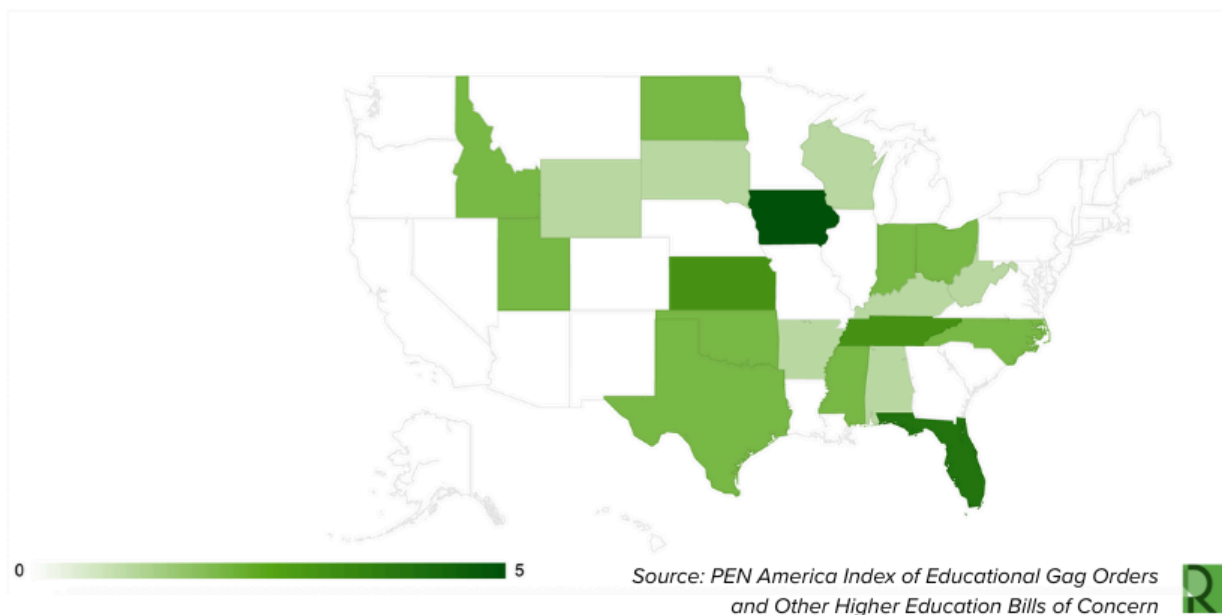
pushed by right-wing tech billionaires, as well as advocacy for more radical cost cutting, most notably pushed by education technology or “EdTech” companies. This right-wing skepticism of higher education was joined by an increasingly authoritarian turn in Republican politics.¹¹⁵

Over the past decade, divergent visions of higher education have produced a volatile political field without a clear direction. On the one hand, in the years after the federal government injected extra money to manage COVID-19, funding for higher education recovered to pre-2008 levels in nearly every state and has not yet regressed. On the other hand, the most significant state-level governance reforms have involved some combination of forced reduction of research and teaching programs under extreme financial pressure and measures to prohibit the teaching of subjects that some factions of the Right ideologically object to.¹¹⁶

Figure 5

Restrictive State Higher Education Laws

Between January 2021 and July 2025, 20 states passed at least one law restricting academic freedom in higher education.



In states like Florida and Texas, these trends coexist: significantly more funding than before 2008 with escalating efforts at authoritarian control.

¹¹⁵ See Isaac Kamola, *Manufacturing Backlash: Right-Wing Think Tanks and Legislative Attacks on Higher Education, 2021-2023* (AAUP, 2024), <https://aaup.org/manufacturing-backlash-right-wing-think-tanks-and-legislative-attacks-higher-education-2021-2023>.

¹¹⁶ Many other states considered, but did not pass, similar measures. For more information, see [PEN America's map of educational gag orders](#).

Despite Increasingly Restrictive Laws, Higher Education Funding Is Rising in Florida and Texas

Laws Passed in Florida

2021

- permits students to record lectures without instructor consent
- bars institutions from shielding students from “ideas and opinions that they may find uncomfortable, unwelcome, disagreeable, or offensive”
- mandates annual “Intellectual Freedom and Viewpoint Diversity Assessment” of students, faculty, and administrators

2022

- bans professors from teaching certain subjects, including institutional racism
- requires public universities to change accreditors after every cycle and conduct post-tenure review every five years
- exempts information on applicants for public state university presidency from public disclosure requirements

2023

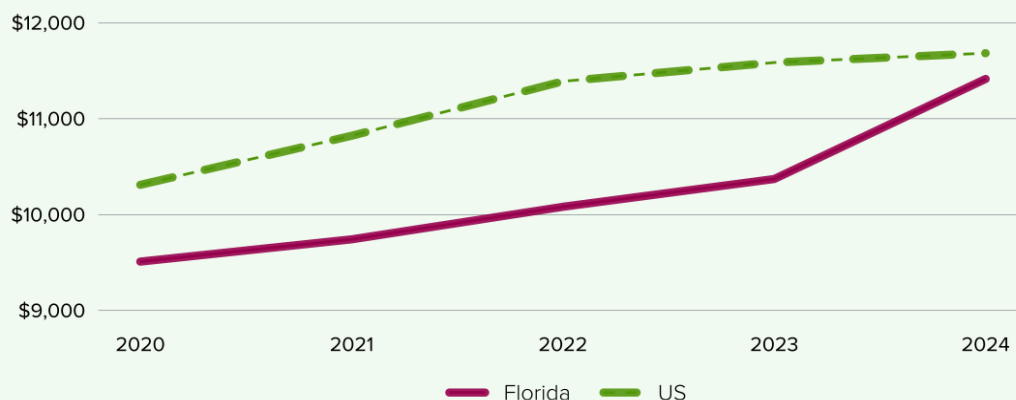
- prohibits general education courses from teaching institutional racism, oppression, or identity politics and bans universities from using state or federal funds on DEI initiatives
- prohibits public employees (including university faculty) from having union dues deducted from their paychecks
- requires educational institutions to discipline students for using bathrooms not corresponding to their assigned sex at birth

2024

- prohibits higher education teacher training programs from discussing institutional racism, oppression, or identity politics

Yearly Average Appropriations per Full-Time Equivalent Student: Florida

2010–2024



Source: State Higher Education Executive Officers (SHEEO)

Laws Passed in Texas

2023

- prohibits public colleges and universities from establishing or maintaining DEI offices
- eliminates many tenure protections

2024

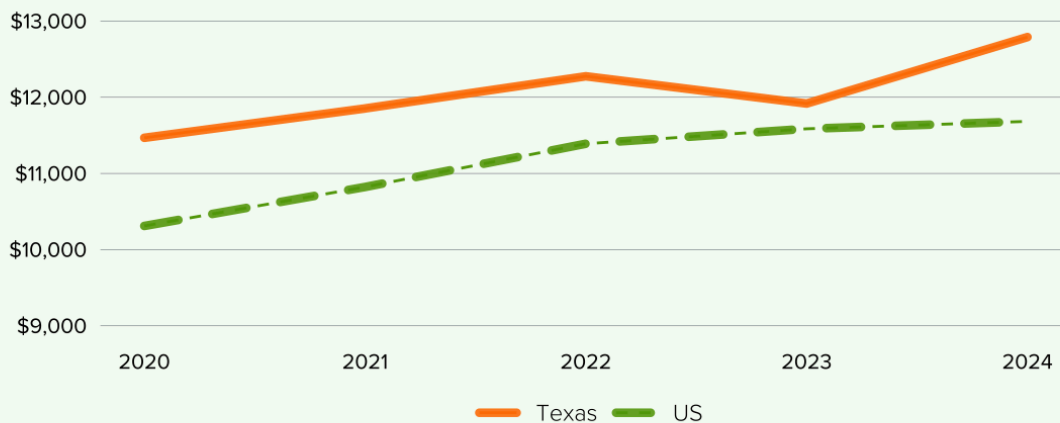
- restructures community college funding to a performance-based model

2025

- limits expressive activity on college campuses, including a ban on expressive activity between 10 pm and 8 am
- restructures faculty senates, diminishing their power
- requires regular review of general education curriculum by higher education governing board
- creates an ombudsman position, appointed by the governor, to enforce noncompliance with recent higher education legislation

Yearly Average Appropriations per Full-Time Equivalent Student: Texas

2010–2024



Source: State Higher Education Executive Officers (SHEEO)

Sources:

American Association of University Professors (AAUP), Report of a Special Committee: Political Interference and Academic Freedom in Florida's Public Higher Education System (AAUP, 2023), <https://aaup.org/reports-publications/aaup-policies-reports/investigation-and-inquiries/report-special-committee>.

[PEN America Index of Educational Gag Orders](#)

Under the second Trump administration, the federal government is attempting to marginalize or eliminate the teaching of facts and analysis it finds distasteful while reducing education subsidy, and state governments do not have a uniform response. A follow-up report will discuss how these efforts relate to past crackdowns and governance regimes.

V. Conclusion

The future of state higher education systems is up for grabs in a way that it hasn't been for generations. Privatization may well accelerate, or there may be an expansion of public funds for institutions under increasingly authoritarian policies. Should the current administration continue to execute on its policy agenda, likely some semi-coherent combination of the two will prevail.

But the possibility of revitalized funding and renewed commitment to institutional independence, and perhaps even state-level planning supported by the federal government, is not off the table. Indeed, the erosion of rough consensus around the value of business logic—as evidenced, for example, by movements to cancel student debt—and the increasing public displeasure with the authoritarian turn creates an opening for a new kind of progressive approach to higher education. For progressive policy alternatives to resonate with the public, they will have to develop an answer not just to present iniquities but also to the neoliberal movement that opened the way for them. There is no returning to the Growth Era, nor would it be desirable to reproduce the many flaws of that regime, but it is worth revisiting how it avoided the inequality-deepening aspects of neoliberal governance.

Can policymakers recreate the coalitional dynamics that led to higher-tax and higher per-capita spending regimes at the state level or displace them with federal spending? Can they rebuild state-level institutions full of career bureaucrats who can develop longer-term plans for governance without interfering with campus-level academic planning or avoiding accountability to the public? Ultimately it will be policymakers' own creativity that answers these questions, but the history of state-level higher education governance has many more lessons to teach.



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