ARCC NETWORK
ACCELERATING RECOVERY IN COMMUNITY COLLEGES

ARCC Network Brief
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How HEER Funding Rescued Community Colleges From the Pandemic

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Key Takeaways

- During the pandemic, community colleges lost an unprecedented 15% of year-on-year enrollments, far beyond the usual annual fluctuation of +/-2%.
- Federal HEER funding more than made up for tuition losses at community colleges, raising their average total annual revenue from $81 million to $84 million. It also provided an additional $4 million per college, on average, in student aid.
- Post-pandemic, community colleges confront tough fiscal challenges with the cessation of HEER funding. They face increased costs due to inflation and decreased overall enrollments relative to pre-pandemic levels, raising concerns about viability at many colleges.

The COVID pandemic was an unprecedented shock to higher education. Unlike typical economic downturns, the pandemic was more like falling off a cliff. In a blog essay posted soon after the pandemic hit, CCRC authors highlighted the pandemic's potential to reduce revenue and to increase costs at community colleges (Jenkins et al., 2020). And with the many fiscal pressures on government budgets to combat the pandemic directly, as well as the relatively stronger bargaining power of four-year colleges, we cautioned that public support for community colleges might not be sufficient or might arrive too late. That blog post was right about the underlying consequences of the pandemic. However, its prediction about the governmental response was—we are glad to say—far too pessimistic.

Almost immediately, federal funding for community colleges was forthcoming; it was then augmented over the following year.[1] In total, more than $75 billion was allocated to higher education—nearly $25 billion of which went to community colleges—via the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP). This Higher Education Emergency Relief (HEER) Fund had two main purposes: (1) to ensure that colleges could continue to provide education to students and (2) to provide emergency financial assistance through colleges directly to students. To this end, separate allocations were made as grants to colleges for institutional assistance and for aid to students. HEER funding

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was an enormous federal commitment, particularly as community colleges had historically relied on state and local support.

It has now been four years since the pandemic began. In this brief, we use college financial data—including data recently released for fiscal year 2022—to look at what happened to college finances and to assess the importance of HEER funding for the financial solvency of community colleges over the course of the pandemic.

Analysis and Data

This analysis uses financial data from the Integrated Postsecondary Education Data System (IPEDS) on the population of 933 community colleges across the U.S.[2] IPEDS includes information on college revenue from tuition/fees and from state and local, federal, and other funding. These sources are partly mutually determined: Tuition/fees, for example, are set contingent on available public subsidies. Therefore, although our main focus is on the role of HEER funds, we look at each source in conjunction. For HEER funds, the institutional component is included in a category classed as "federal nonoperating grants."[3] However, this category includes all federal nonoperating grants, not just HEER funds, and many community colleges receive some federal nonoperating grants each year. (Potentially, other federal grants may be correlated—positively or negatively—with HEER funds). The student component of HEER is a separate category of "other federal grants" and not considered as direct college revenue. Prior to the pandemic, these grants were very small such that any changes can be attributed to HEER. Overall, these two categories may be interpreted as the federal government's entire support of the community college system, of which HEER became a significant new component.[4]

We describe and contrast community college financing before the pandemic by averaging data from 2018 and 2019 and during the pandemic by averaging data from 2021 and 2022.[5] Using budget data allows us to look at HEER funding within the overall budgets of the colleges. Because of enrollment fluctuations, we look at both absolute amounts and funding per full-time-equivalent student (hereafter, FTE). All money values are expressed as annualized amounts per college and adjusted into 2024 dollars.

However, IPEDS data is not cost data. It cannot show how the cost of providing a given quantity and quality of education changed over the course of the pandemic. Almost certainly, unit costs did increase. Primarily, colleges had to spend additional amounts on COVID-19 safety protocols and on technology to support student learning (health care costs for personnel also likely increased). Also, colleges have significant fixed costs (e.g., for facilities and personnel contracts): These costs still had to be paid even if students did not enroll (or did not come to campus). The exact amount of these costs is not determined here. Nevertheless, we can learn a lot from understanding how HEER funding affected college revenue.

HEER's Role in Sustaining College Budgets

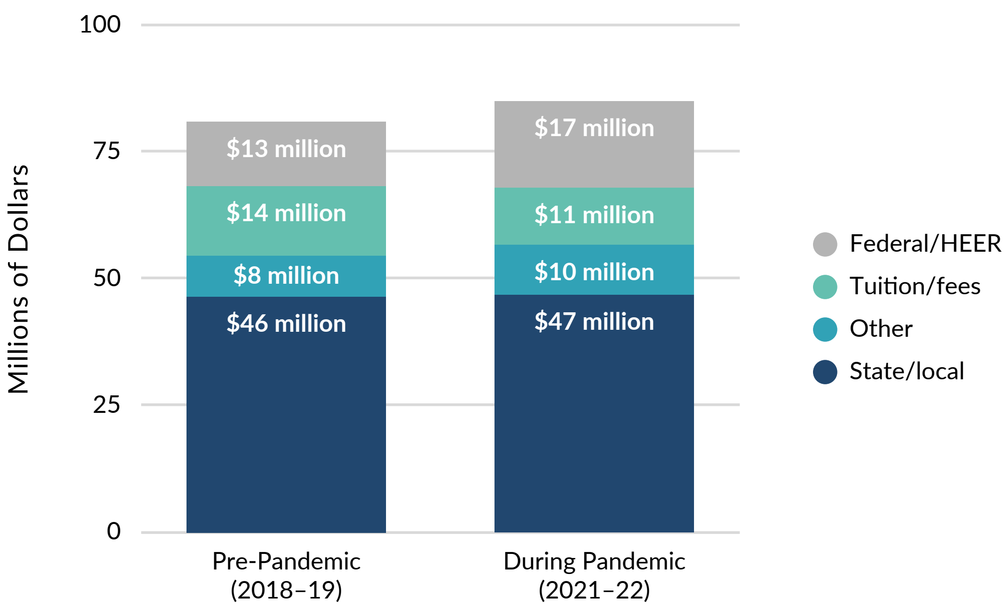
Before the pandemic, the average community college enrolled 4,600 FTEs. Total revenue was $81 million, equivalent to $18,000 per FTE. State and local funding was $46 million (57%) of total funding; tuition/fees were $14 million (17%); federal funding was $13 million (16%); and other funding was $8 million (10%). Although there is significant variation across colleges and states, these amounts and proportions were stable across 2018 and 2019.

The financial picture looked very different once the pandemic began. The immediate shock was the rapid, sizeable decline in student enrollments. On average, colleges lost 580 FTEs, or 15% of pre-pandemic year-on-year enrollments. To put this in context, college enrollments typically fluctuate by +/- 2% each year.

Enrollment clearly collapsed, with adverse implications both for revenues and for costs. Revenue fell directly because there were fewer students paying tuition and fees. Also, with widespread income losses and economic uncertainty, the remaining students were constrained in how much they could afford to pay for college; revenue losses were therefore magnified. On the costs side, fixed costs had to be defrayed across far fewer students (along with the extra costs for COVID safety).

Potentially, the pandemic could have undermined the financial viability of many community colleges. Fortunately, that did not happen. The financial picture for community colleges pre-pandemic and during the pandemic is summarized in Figure 1.

Figure 1. Average Revenue per Community College by Source



Note. All amounts in 2024 dollars. Amounts averaged across 922 community colleges. Tuition/fees revenue net of discounts and allowances. HEER refers to institutional HEER funding only.

Revenue from tuition/fees fell rapidly, and the fall was sustained through 2021 and 2022. Per college, tuition/fees revenue fell by $3 million, equivalent to 3.5% of pre-pandemic total revenue. This decline was a combination of fewer students and lower tuition payments per student. In isolation, a drop in revenue of this size would represent a significant threat to the financial solvency of community colleges. Declining enrollments—and therefore further declines in revenue—would become entrenched, and colleges would find it very difficult to raise tuition rates on their remaining enrollees. Probably, some colleges would have to close.

It is worth noting that changes in tuition revenue partly reflected an increase in dual enrollment students as a fraction of total enrollment. Dual enrollment students often receive discounted tuition (Belfield et al., 2023). As a result, the correlation between dual enrollment rates (measured as the proportion of students aged under 18) and total tuition revenue is strongly negative. Notably, before the pandemic, 18.6% of students were aged under 18 at the average college; during the pandemic, this rate was 22.2%. This 3.5-percentage-point increase in dual enrollment equated to a loss of $1.1 million in tuition revenue per college.

Total dollar revenue from state/local sources was unchanged over the course of the pandemic. This revenue was stable at $46–47 million per college each year.[6] This stability is notable given the many pressures on state/local budgets to directly address the pandemic health crisis. Indeed, because state and local appropriations are revised only periodically and with lags (they do not exactly track to enrollments), they can serve as an automatic buffer against declining enrollments. That appears to have been the case for the pandemic. However, although state and local funding is the largest revenue source for community colleges nationally, it is not large enough by itself to ensure fiscal solvency, and it did not increase in response to extra cost pressures.

As shown in Figure 1, HEER funding—introduced in response to the pandemic—was substantial, and it more than compensated for declines in tuition revenue. HEER funding increased federal support per college by $4 million, and total revenue per college rose from $81 million to $84 million. Thus, HEER funding more than offset budgetary shortfalls and may have compensated—perhaps even fully—for the increase in costs associated with the pandemic. (In addition, revenue from other sources—including some other federal transfers—partially offset the loss in tuition revenue.)

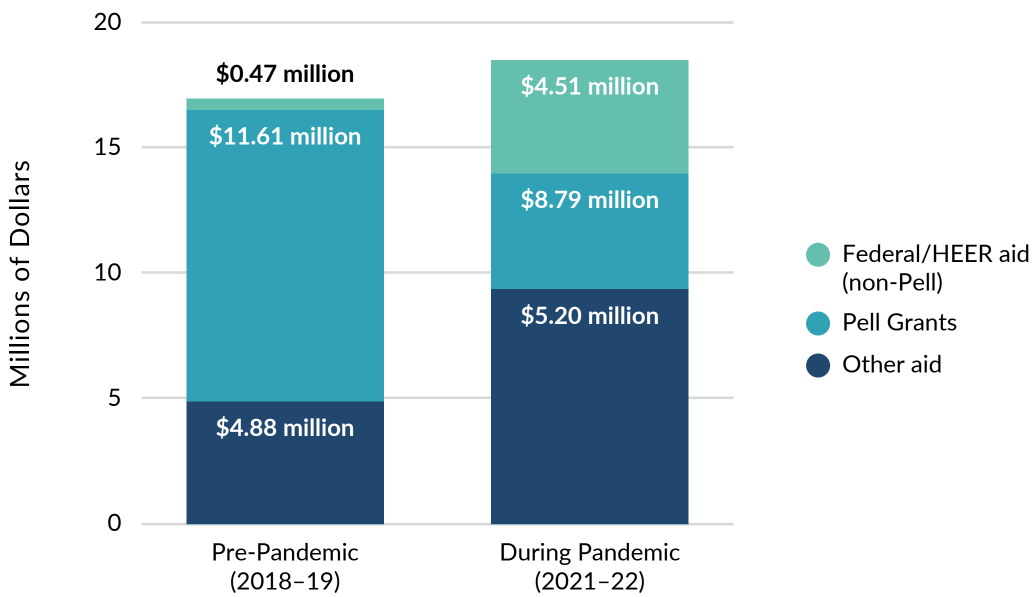
Expressed per student, the impact of HEER funding is also clear. Per FTE, total revenue before the pandemic was $19,300; during the pandemic, it rose to $23,300 (+21%). However, tuition revenue fell by $200 per FTE: The fewer remaining students were paying 6% less. State/local funding did become more generous per FTE, although this was because of declining enrollments. Directly, HEER funding amounted to extra revenue of $1,700 per student.

HEER's Role in Providing Financial Aid for Students

With financial pressures of their own due to the pandemic, students had fewer resources to pay for community college. HEER funded aid through colleges directly to students with the goal of making college more affordable. This aid ("other federal grants") was distinct from—and in addition to—Pell Grants, state/local government grants, and institutional grants. In pre-pandemic years, other federal grants were very modest; therefore, changes during the pandemic directly correspond to HEER funding allocations.

The critical impact of HEER funding for students is shown in Figure 2, which compares all types of student aid funding pre-pandemic and during the pandemic per year per college.

Figure 2. Average Student Aid Funding per Community College by Source

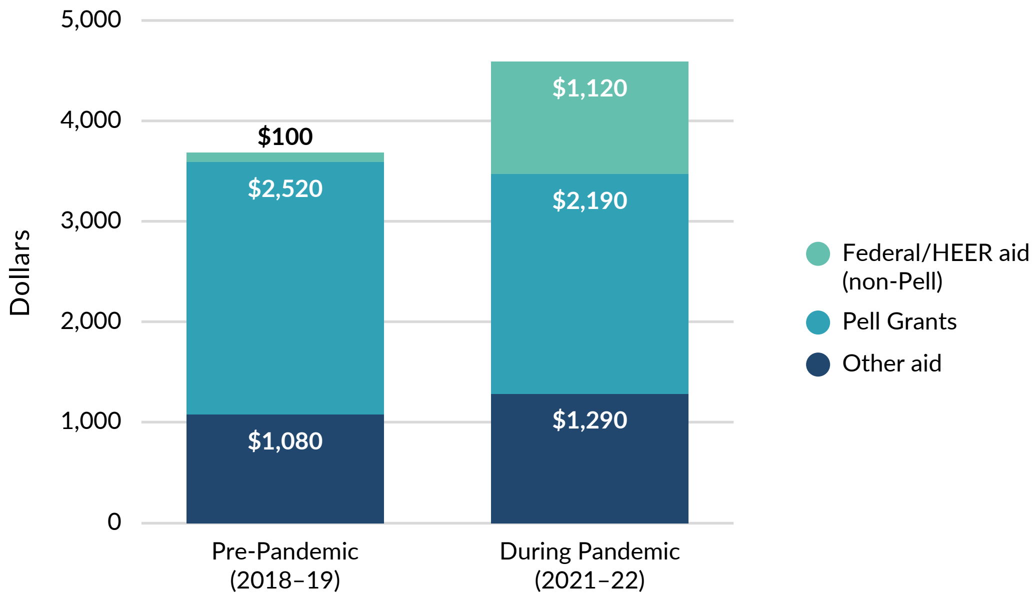


Pre-pandemic, student aid grants per community college totaled $17 million. Pell Grants accounted for $11.6 million (68% of the total), with other aid at $4.9 million (29%) and a very modest amount of $0.5 million (3%) from federal funding.

During the pandemic, student aid funding looked very different. Other aid stayed at almost the same absolute level (at $5.2 million), but Pell Grants fell to $8.8 million (down $2.8 million or 24% from the pre-pandemic total). Again, during the pandemic, HEER funding more than closed the gap: Non-Pell federal student aid—nearly all of it HEER student aid—was $4.5 million, representing 24% of all student aid. It brought the total amount of student aid to $18.5 million, an increase of $1.5 million (+9%). Therefore, even as student enrollments fell, HEER funding ensured that the total aid disbursed to students rose.

Expressed per student, the effect of HEER funding on student aid is substantial. Pre-pandemic and during-pandemic aid amounts per FTE are shown in Figure 3. For context, we compare these to the average sticker price for community college tuition/fees (recognizing that not all students pay the sticker price).[7]

Figure 3. Average Community College Student Aid per FTE by Source



Pre-pandemic, tuition/fees were $4,450. On average, aid from all sources was $3,690. At $2,520 per student, Pell Grants covered 57% of total tuition. Other aid (at $1,080) covered the equivalent of another 26%.

During the pandemic, average community college sticker prices fell to $4,020; on average, college was $430 cheaper. However, the average Pell Grant fell by $330 (to $2,190). During the pandemic, Pell Grants covered a smaller fraction of the tuition/fees (at 54%): The burden of paying for college shifted toward the student. (Other aid rose to partially offset the decline in Pell Grants.) However, the new affordability burden was more than canceled out by HEER funding. This funding added $1,120 to average student aid. In total during the pandemic, student aid was $4,610 per FTE; on average, it exceeded the sticker price for community college. HEER funding therefore played a critical role in making college more affordable during the pandemic.

What Happens Now That HEER Funding Is Over

Clearly, HEER funds played an important role in preserving colleges' financial security and in promoting college affordability for students. In both domains, the dollar amounts were substantial. Indeed, they more than compensated for the revenue changes that colleges experienced, and they provided more aid per student than was needed for average tuition/fees. In the absence of institutional HEER funding, it is likely that some colleges would have faced significant financial distress; similarly, many students faced affordability challenges. Plus, these impacts would have compounded over time for the colleges, as fewer students would have enrolled and tuition revenue would have declined even further. Instead, HEER funding ensured that our initial concern—that community colleges would face an economic crisis—did not happen.

Nevertheless, we foresee new fiscal challenges for community colleges moving forward. It is likely that the cost of a community college education has risen due to inflation. Yet, HEER funding has ended. Federal funding will therefore likely revert back to being a more modest part of community college revenue, and federal student aid will revert back to being predominantly financed by the Pell program. State/local funds may also change. At issue is whether these government agencies will continue with stabilized funding if enrollments remain low. More likely, they will be pressured to make cuts, leading to reductions in emergency aid and other supports for students that colleges put in place during the pandemic (Klempin et al., forthcoming). Navigating these new fiscal realities will be extremely challenging for community colleges, raising new concerns about the viability of many colleges in the post-pandemic era.

Endnotes

1. For a detailed discussion of federal pandemic relief funding for community colleges, see Daniels et al. (2024).
2. This analysis does not use independent ARCC Network data sourced from the U.S. Department of Education's Education Stabilization Fund Transparency Portal (see Daniels et al., 2024). The ARCC Network data is reported as total HEER funding awarded and spent up to the June 2023 deadline. IPEDS data is reported annually, with data for 2023 not yet available. Correlations between ARCC Network amounts and IPEDS 2021–22 amounts are very high. For institutional funds, the correlation is 0.92. For student funds, the correlation is 0.81. This analysis classifies colleges as community colleges according to Fink and Jenkins (2020).
3. In this analysis, HEER funding is coded based on personal communication (November 1, 2023) with Dr. Aida Ali Akreyi, Statistician/IPEDS Operations Lead, National Center for Education Statistics: "We instructed public

institutions using GASB reporting standards to report the student portion of funds under Other federal grants (F1E02) and the institutional portion under Federal nonoperating grants (F1B13)."

4. The U.S. Department of Education's description of IPEDS reporting is given here: "IPEDS instructions have been updated with revised language related to reporting Higher Education Emergency Relief Funds (HEERF). Three Acts—Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan (ARP) Act—provided grant funds under HEERF and should be treated as federal grants (but not as Title-IV grants) when reporting IPEDS data" (U.S. Department of Education, n.d.).
5. The year 2020 is difficult to interpret: It includes some 3 months before the pandemic and 9 months of the pandemic.
6. Other sources identify the robustness of state spending on higher education. These include the National Association of State Budget Offices (2023) and the State Higher Education Officers Association (2023).
7. Sticker prices, expressed in 2024 dollars, are from the College Board (2023).

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