

# Stagnating State Funding for Higher Education and its Effect on Faculty Composition at US Universities

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## Abstract

US universities have systematically substituted away from tenure-track/tenured professors towards contingent lecturers for the last thirty years, while at the same time states have limited how much they fund higher education. This analysis relates the changes the faculty composition at US public universities to the fall in state funding for higher education, using a shift-share approach to identify causal effects. A fall of  $-10\%$  in university funding, via a state funding shock, decreases the number of assistant professors per student by  $-1.4\%$  and full professors by  $-1.2\%$ , yet increases the number of lecturers per student by  $4.4\%$ ; long-run estimates show that the faculty composition is affected both in the same year as the funding shock, and two to three years following. Analysis of all the professors at Illinois public universities shows that incumbent professors are not affected by substantial funding shocks over 2011-2021, with suggestive evidence showing that the faculty changes arose by limiting the hiring of new professors to replace leaving tenure-track/tenured professors. These results show the institutional effects of stagnating state funding for higher education, and raise questions about the direction that public education heads as these financial headwinds show no sign of dissipating.

**Key-words:** State and Local Budget and Expenditures, Higher Education, Public Sector Labour Markets

**JEL Codes:** H72, I23, J45

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<sup>†</sup>This project's Github repository, with materials and anonymised data for replication, is available at <https://github.com/shoganhennessy/state-faculty-composition>. Any comments or suggestions may be sent to me at [seh325@cornell.edu](mailto:seh325@cornell.edu), or raised as an issue on the Github project.

Public universities educate the majority of higher education students in the US, yet have experienced a secular decline in state funding (per student) over the last three decades. At the same time, both public university student enrolment and employment of contingent lecturers dramatically increased at public universities. I show that four-year, degree-granting public universities have experienced a systematic fall in state funding per student, and this fall led to a substitution away from tenure-track/tenured professors towards contingent lecturers. Falls in state funding for public universities, instrumented by state-level shocks to state-wide higher education, led to a fall in the number of tenure-track/tenured professors per student within a university, and an increase in the number of lecturers. Private universities were not exposed to similar financial constraints during this same time period, and do not exhibit the substitution away from tenure-track/tenured professors, so that the stagnating state support for public universities has implications for the wider structure of US higher education and research.

US universities are widely considered the highest performing in the world, yet there are consequential differences between its universities that operate in the private sector and those established by state governments. Public universities are subject to numerous state-level administrative laws, and rely on their state governments for funding: an average public university received around \$11,600 of state funding per student in 1990, and only \$8,300 in 2021. This fall is driven by a stagnation in the absolute level of state funding for higher education in most states, combined with a large increase of 46% in student enrolment at public universities over the same time period. Similarly, the number of lecturers per student over doubled, while the number of tenure-track/tenured professors per students fell by  $-23\%$  from 1990 to 2021.

I employ a shift-share instrument to identify changes in state funding for higher education, which exploits how universities differ in their financial reliance on state funding, combined with yearly shocks to the amount an entire state funds higher education — following [Deming](#)

& Walters (2017), Chakrabarti, Gorton & Lovenheim (2020). State governments decide how to fund higher education, and everything else, by a complicated process which can be influenced by local economic conditions, changing state priorities, or even lobbying from the state universities themselves. As such, it is necessary to employ an identification strategy, such as the shift-share instrument, to account for endogeneity in universities' state funding. The shift-share instrument interacts reliance on state funding in a base period with the entire state's total funding per higher education student for each year, to exploit changes in funding and how much each university historically relied on state funding for higher education.

Falls in state funding affects faculty composition at public universities, which substitute away from tenured and tenure-track professors towards contingent lecturers. A fall of  $-10\%$  in state funding leads to a fall of  $-1.4\%$  in the number of assistant professors per student at a university, a fall of  $-1.2\%$  for tenured professors, and an increase in  $4.4\%$  the number of lecturers per student. Local projection estimates show that these effects linger for three to four years after the initial funding shock, showing that the effect is not isolated to the immediate year of the first funding shock. Over the same time period, state funding fell by around  $-35\%$ , while the count of professors per student fell by  $-9\%$ , so that these results show that falls in state funding explain around a third of the substitution away from tenure-track and tenure professors towards contingent lecturers. Additionally, I use individual level data on all Illinois public university professors in 2010-2021 to investigate whether the shocks to state funding affected individual professors. Incumbent professors were not meaningfully affected, in terms of total salary, promotion rate, or rate of leaving the Illinois public university system. Yet the hiring rate for new professors at public universities was negatively impacted by the falls in state funding (and by the funding shocks). This implies that faculty composition change arose by limiting the hiring of new professors; public universities increasingly hired contingent lecturers, and increasingly did not replace their retiring (or leaving) professors.

A number of studies have shown that stagnating state funding for higher education

negatively impacts student outcomes. [Deming & Walters \(2017\)](#) show that increases in public university spending (via funding shocks) increases enrolment and degree completion among students,<sup>1</sup> that high school students exposed to similar public school funding shocks are less likely to attend college ([Jackson, Wigger & Xiong 2021](#)), and that these shocks induce public universities to rely more on tuition as a source of revenue ([Bound, Braga, Khanna & Turner 2019](#)). [Chakrabarti et al. \(2020\)](#) use the same methodology to show that increases in state funding lead to degree lower completion time and later-life debt for students.<sup>2</sup>

Over the last half century, there have been drastic changes to the hierarchy of US higher education, where the top universities have become more selective for student applicants, and the average university less selective ([Hoxby 2009](#)). Similarly, research faculty at US universities are increasingly concentrated among the graduates of highly selective PhD programmes ([Wapman, Zhang, Clauset & Larremore 2022](#)). Faculty composition is an interesting outcome on its own, but its relationship with higher education finances has so far not been studied. The closest previous examples study how university endowments react to negative endowment shocks ([Brown, Dimmock, Kang & Weisbenner 2014](#)) and the 2008 recession ([Turner 2014](#)), and multiple theoretically model university decision-making and faculty hiring (see e.g., [Abe, Watanabe et al. 2015](#), [Johnson & Turner 2009](#), [Courant & Turner 2019](#)). The number of professors per student may be particularly important for quality of instruction and thus educational outcomes; small class sizes in secondary schools lead to increases in test scores ([Angrist & Lavy 1999](#)), and UK university students perform worse academically in particularly large classes ([Bandiera, Larcinese & Rasul 2010](#)). Though, the economics literature is not decided on whether contingent lecturers lead to better or worse outcomes in higher education. Adjunct lecturers are generally more effective teachers than research professors at highly selective universities ([Bettinger & Long 2010](#), [Figlio, Schapiro & Soter](#)

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<sup>1</sup>[Miller & Park \(2022\)](#) further analyse the effects of falls in university revenues, by finding that reductions in public universities tuition prices (suggestively motivated by falling state funding) leads to reductions in provided financial aid.

<sup>2</sup>[Bound & Turner \(2007\)](#) use similar variation in state funding per student to show that lower funding leads to lower completion rates at public universities.

2015), but students taught by part-time lecturers have worse student outcomes relative to full-time lecturers or faculty (Zhu 2021, Ehrenberg & Zhang 2005).

While it is not immediately clear whether a systematic substitution towards lecturers away from professors reduces teaching effectiveness, it is clear that stagnating state funding has negatively impacted student outcomes (Deming & Walters 2017, Chakrabarti et al. 2020). This analysis focuses on a university’s count of faculty per student, and considers faculty composition change as one of the mechanisms for how stagnating state funding for higher education transmits to students and has led to worsening education outcomes at public universities for the last thirty years.

# 1 Data and Institutional Context

## 1.1 Data Description

The data used in this analysis come from two primary sources: *US Department of Education Integrated Postsecondary Education Data System* (2021, IPEDS) regarding institutional information including finances and enrolment, and *Illinois Board of Higher Education* (2021, IBHED) for data on every professor in the Illinois public university system.

IPEDS is a survey of higher educational institutions in the US, and legally requires institutions to participate in order to receive Federal Title IV student aid.<sup>3</sup> Data are consistent between the years 1990 and 2021,<sup>4</sup> and provide information on the total revenues a university received from every source (including state governments), enrolment, plus faculty count and total expenditures on salaries.<sup>5</sup> I restrict analysis to public, four-year, degree-granting

<sup>3</sup>This statement means that IPEDS does not necessarily cover the universe of US higher education institutions, yet in practice every public university and not-for-profit four-year institution is represented.

<sup>4</sup>The years 1987-1989 are represented in these data in an incompleteness fashion, so I focus on the years 1990 onwards. Year refers to the calendar year of the spring term — i.e., 1987 refers to the academic year that ran August 1986 to July 1987.

<sup>5</sup>I combine the Urban Institute’s 2018 compilation of IPEDS data for the years 1990–2017, and manually

institutions, as these institutions adhere to a standardised concept of faculty profile, where tenure and title of appointment (lecturer, assistant professor, etc.) are relatively standardised. For-profit institutions employ and enrol a negligible share of professors and students respectively, while students at two-year institutions by majority intend to eventually enrol at a four-year institution ([Mountjoy 2022](#)), so that these institutions are not considered.

IPEDS reports the count of professors employed by position, as well as total salary expenditures by position. This gives a resulting panel data-set, where each row represents a university-year, and includes columns for university finances, plus total count and average salary<sup>6</sup> for professors by position (lecturer, assistant, tenured, total). [Table 1](#) presents summary statistics for relevant variables in these data.

**Table 1:** IPEDS Summary Statistics, Public Universities Panel 1987–2021

Statistic	Mean	St. Dev.	N
Enrolment	11,511	10,821	18,504
State appropriations (millions 2021 USD)	99	125	18,504
Total revenues (millions 2021 USD)	425	793	18,504
Non-institutional revenues (millions 2021 USD)	202	265	18,504
Lecturers count	60	74	17,329
Assistant professors count	113	102	17,826
Full professors count	261	284	17,929
All professors count	429	437	18,504

IPEDS provides information at the university level, yet lacks information on the distribution of salaries and professor count within a university.<sup>7</sup> To investigate the distribution,

combine raw NCES data on 2018-2021 for all relevant variables. Figures for enrolment, faculty counts and salaries come from the raw NCES version of IPEDS for all years, addressing inconsistencies in the Urban Institute’s data formulation for these variables.

<sup>6</sup>Real salary is computed by scaling nominal salary to 2021 dollars by the CPI-U.

<sup>7</sup>IPEDS provides total paid to salary and total faculty employed per university-year, so that I can investigate average professor salary per university-year with IPEDS data. Unfortunately, this measure of professors’ salaries is particularly crude in measuring on professors’ salaries and other individual-outcomes; summary statistics on IPEDS data do not agree with trends in average professor salary over the sample time period ([American Association of University Professors 2021](#)). Similarly, IPEDS reports of the average salary paid to professors at private institutions also disagree with other sources, so are not considered in this analysis.

I integrate individual-level data for every public university professor in the state of Illinois between the years 2010-2021. IBHED hosts the information; Public Act 96-0266 (effective 1 January 2010) requires that each university report base salary and benefits all administrators, faculty members, and instructors employed by the college or university.<sup>8</sup> These publicly available data provides the basis to build a panel of Illinois public university professors 2010-2021; I define a professor as an individual by their first plus last name and university pairing, and link this database to IPEDS regarding finances for their employing institution.

The analysis sample represents 16,932 professors in the year 2010 and 15,352 in the year 2021, with summary statistics presented in [Table 2](#). Additionally, further analysis using the first year of a professor’s employment focuses on the subset of professors with observed year of hiring between the years 2011 and 2021, representing 1,778 professors in 2011, and 9,099 in 2021.<sup>9</sup>

## 1.2 Trends in Finances, Enrolment, and Faculty Composition

The institutional environment for how states appropriate funding allows for wide variation in state funding for higher education, both between states and across years in each state. A state government plans an annual budget a couple of years ahead of the fiscal year, and the legislature chooses to approve or reject a budget request put forth by the governor’s office.<sup>10</sup> US state governments, by majority, are legally obligated to run a balanced-budget, so that yearly variation in tax revenues (caused by changing economic conditions or otherwise) necessarily affect state expenditures. This process leads to yearly variation in state funding

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<sup>8</sup>The universities included are all campuses of the nine Illinois public universities: Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Southern Illinois University (all five campuses), University of Illinois (all four campuses), Western Illinois University.

<sup>9</sup>Summary statistics for this group, which over-represents lecturers compared to assistant and full professors, can be seen in [Table A1](#). The reasons for considering the sub-sample with identified year of hire in the range 2011-2021 are explained in [subsection 3.3](#).

<sup>10</sup>[Deming & Walters \(2017\)](#) present a full discussion of the decision-making process for state appropriations, drawing on administrative records originally analysed by [Parmley, Bell, L’Orange & Lingenfelter \(2009\)](#).

**Table 2:** IBHED Summary Statistics, Professor Panel 2010–2021.

Statistic	Mean	St. Dev.	Median	N
Lecturer, percent	27	44	0	185,570
Assistant professor, percent	21	41	0	185,570
Full professor, percent	37	48	0	185,570
Administrator professor, percent	15	36	0	185,570
Lecturer salary (2021 USD)	31,650	25,825	27,474	49,637
Assistant salary (2021 USD)	77,075	38,078	73,387	39,051
Full salary (2021 USD)	109,535	48,949	100,044	68,243
Administrator salary (2021 USD)	119,462	61,377	107,824	28,639
All salary (2021 USD)	83,403	55,881	78,969	185,570
Lecturer benefits (2021 USD)	2,351	6,458	0	49,637
Assistant benefits (2021 USD)	2,964	7,092	0	39,051
Full benefits (2021 USD)	6,736	13,654	0	68,243
Administrator benefits (2021 USD)	3,607	15,976	0	28,639
All benefits (2021 USD)	4,286	11,547	0	185,570

not seen in other revenues sources (such as federal government appropriations), since US states differ in their support for higher education, and are subject to fiscal constraints. State funding for higher education are a particularly attractive area of state spending to absorb negative shocks to state finances (Delaney & Doyle 2011).<sup>11</sup> Additionally, there is yearly variation in the number of higher education students in each state (Turner 2014), so that per-student state funding varies on multiple dimensions.

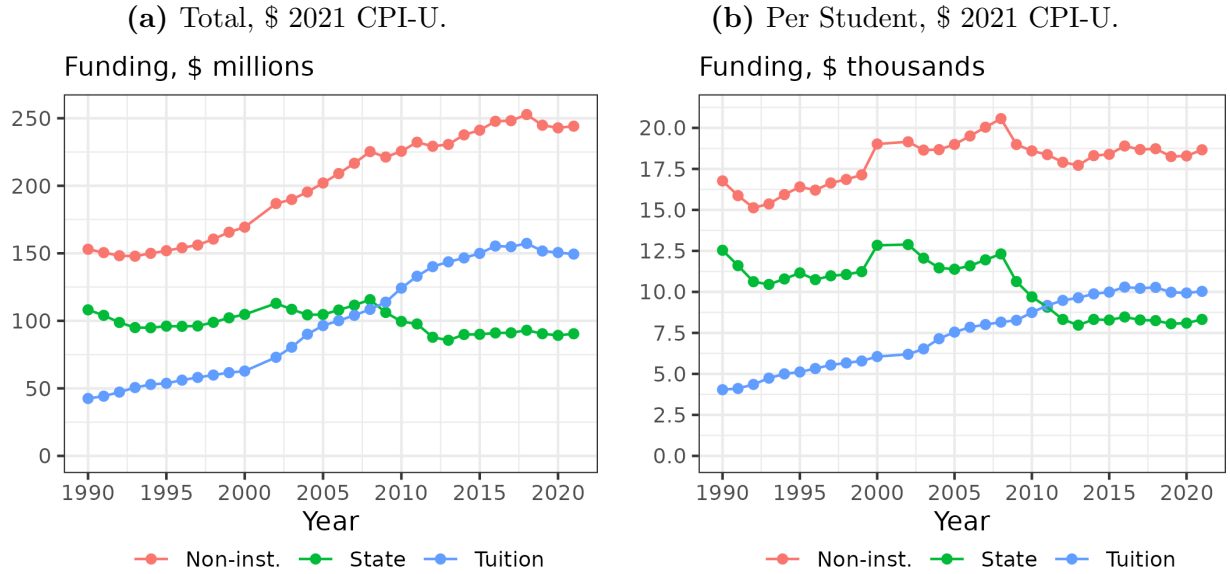
Public university revenues on average stagnated across there years 1990–2021. Figure 1 show the trends in revenues for the mean public university for the years 1990–2021. We see a rise in total revenues received by public universities (from all sources), and a notable increase in mean tuition revenues from \$48 million per year-university to \$150 million per year-university. At the same time, total state funding stagnated at around \$100 million per

<sup>11</sup>Delaney & Doyle (2011) fully describe the financial environment of state expenditures, and what makes spending on higher education an attractive area for state governments to expand funding during years of higher tax revenues, and retract funding in leaner years. An analysis of state expenditures for the years 1980–2004 (overlapping with the sample for this analysis) provides solid evidence for these trends, and Figure 1 observes these same trends.



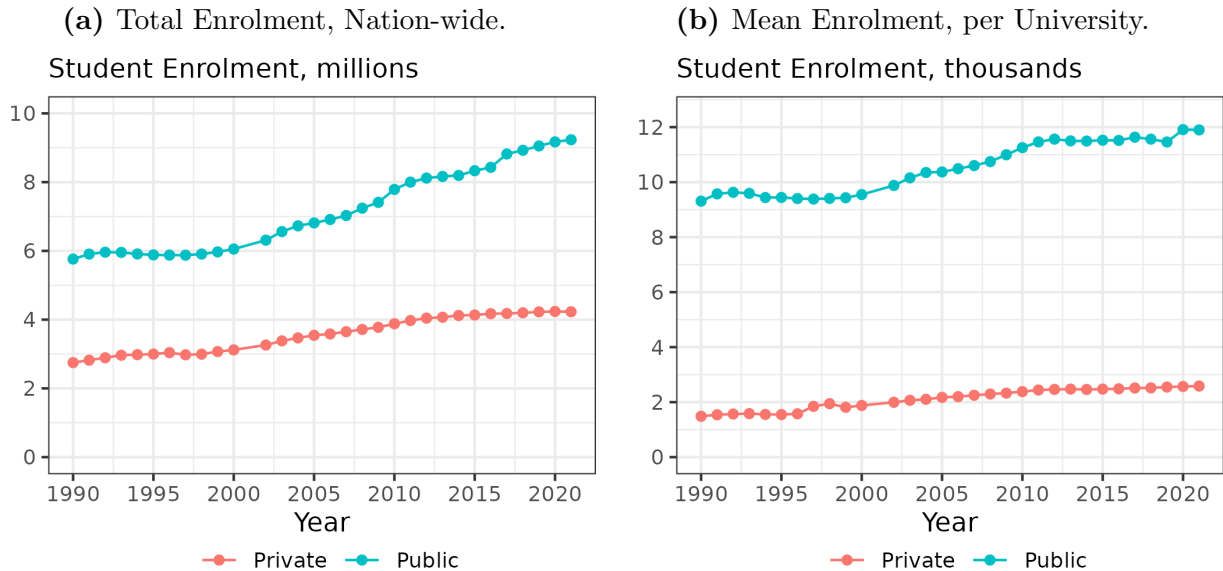
year-university for 1990–2008, falling around 2008 and have not recovered ever since. While public universities experienced a stagnation in state support, private universities were not exposed to the same constraints, receiving \$37,000 per student in 1990 and \$49,000 in 2021, experiencing no corresponding decline in any specific component.

**Figure 1:** Mean Total Funding among Public Universities, by Year.



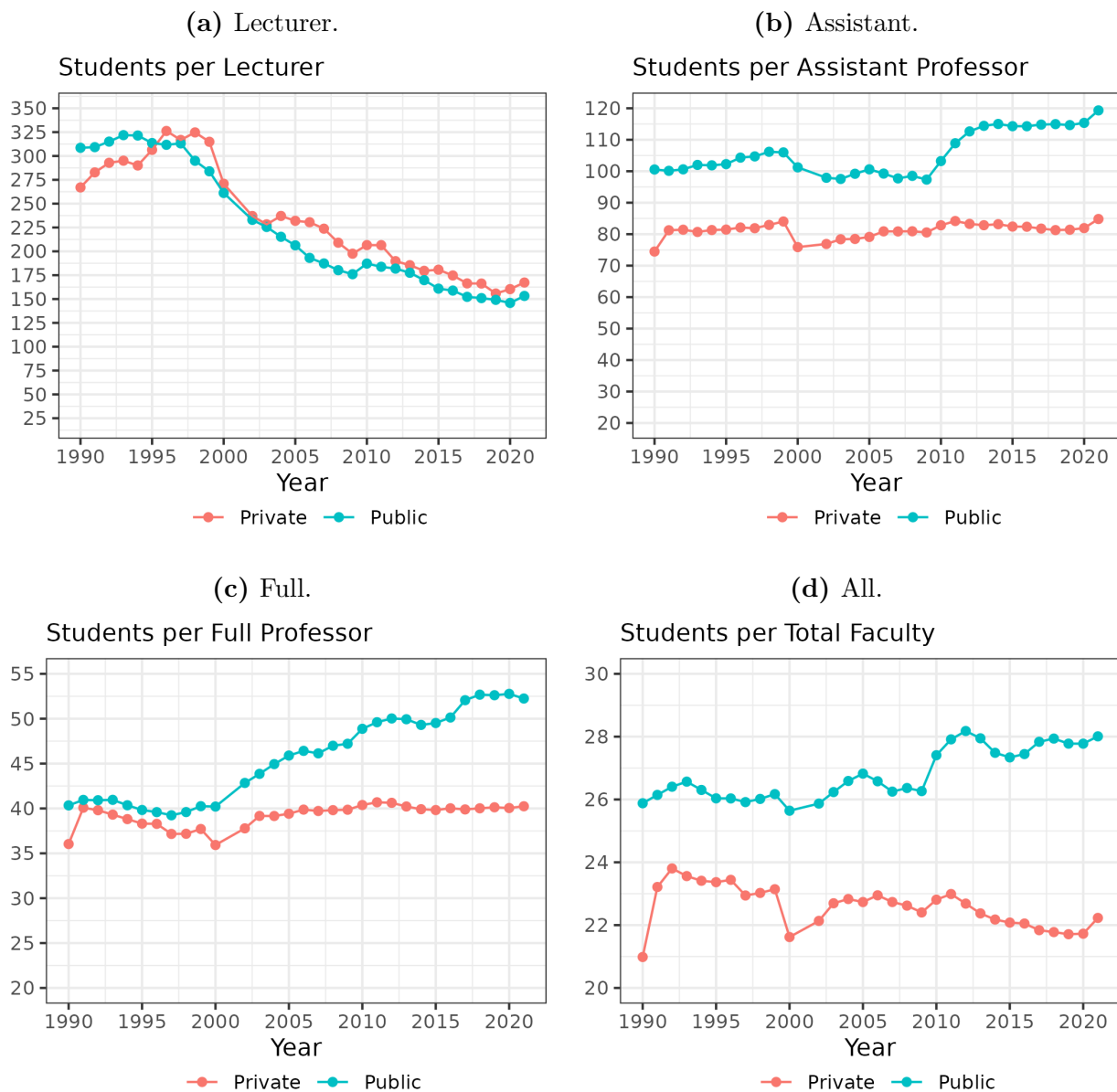
At the same time, student enrolment at public universities rose precipitously. 6.2 million students were enrolled in public universities in 1990, and this number rose by 47% to 9.1 million, with most of the increase occurring over the years 2000-2021. Figure 2 shows that total enrolment at private universities has also risen over the same time period, but not as drastic in either relative or absolute terms; the mean private university grew from 9,800 students in 1990 to 11,800 in 2021. This means that revenues per student have stagnated across all measures (seen in Figure 1b), and particularly fallen from a mean of \$11,000 per student in 1990 to less than \$8,000 per student in 2021.

There are large differences in the average number of professors per student between the private and public sector. Figure 3 shows that private universities start with a higher

**Figure 2:** Total Student enrolment, by University Sector and Year.

baseline of around 4.5 professors per 100 students, and exhibited yearly variation of less than 0.5 professor per hundred students over the thirty years. Public universities start with 3.9 professors per hundred students, and this number falls to around 3., with the largest fall in the 2008-2011 time period. We see a similar difference in baseline, and fall for the years 2008-2011 for assistant professors. Private and public universities have similar numbers of associated and full professors before the year 2000, yet this number has fallen by over 20% in the next 20 years only for public universities: in 2021 the mean public university has 6 fewer full professors per hundred students than the mean private university. Over the same time period, we see the rise in use of non-tenure track instructor positions (referred to as lecturers from here on), who were employed at similar rates in both sectors in 1990, yet have been utilised by public universities at a higher rate since.

**Figure 3:** Trends in Mean Student Enrolment per Professor, by University Sector and Faculty level.

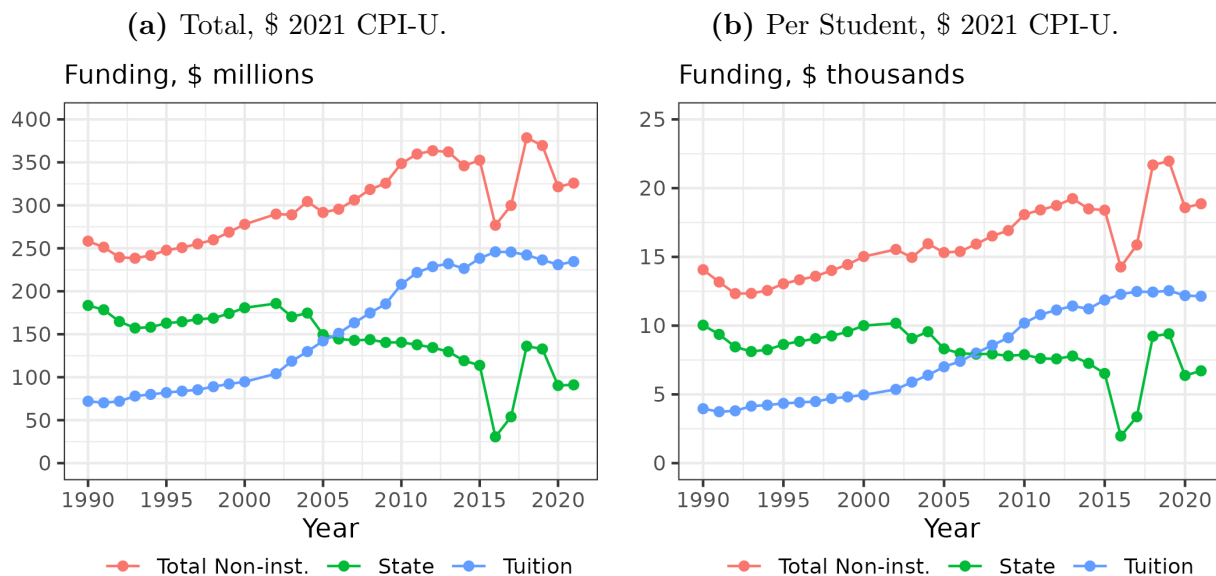


### 1.3 Trends in Illinois

The rate that Illinois funds higher education has stagnated to a similar extent as the average for the entire country. [Figure 4](#) shows the trends for funding sources among the seven Illinois

public university campuses, including the falling share of state funding and substitution towards tuition revenue.

**Figure 4:** Mean Funding Sources among Illinois Public Universities, by Year.



The decade of 2010–2021 has also seen yearly variation in its revenues, particularly around 2016. In the calendar year 2015, partisan disagreements between the democratic legislature and republican governor led to the 2016 fiscal year starting with no state budget. State agencies, and higher education institutions, employed accounting techniques to continue operating without any resources provided by the state government.<sup>12</sup> While public universities were able to stay open, there were drastic revenue and spending cuts in response to the budget impasse, as it continued through fiscal year 2017, and ended with a new budget restoring funding to state institutions for 2018. This variation in public university revenues via the state funding channel, stemming entirely from political disagreements — not from state decisions regarding higher education and its finances (Young, Wiley & Searing 2020) — mean that Illinois public universities exhibit sizable changes in their state funding over 2010–2021, of similar order to those for the rest of the country over 1990–2021.

<sup>12</sup>Fiscal year 2016 refers to June 2015 to June 2016, so is the same as the academic year definition.

## 2 Conceptual Framework

While state support for public higher education has stagnated at the same time as education costs rose, there are multiple possible ways that a university can respond. [Deming & Walters \(2017\)](#) established that corresponding rises in tuition did not offset the falling state support, so that university spending (per student) fell in response to these persistent, negative state funding shocks. There are multiple ways that these changes in finances may affect the faculty composition at public universities.

Universities hire new professors most years, either to expand their departments or to replace leaving professors. The number of professors hired in each year is usually highest among non-tenured adjunct faculty, as these instructors are mostly hired on short-term contingent contracts, so that they are less costly to hire (or to not reinstate) in response to yearly changes in teaching needs. Tenure-track assistant professors are hired most often hired with a four to six year contract, and formal agreement for tenure consideration at the end of this term. Lastly, tenured professors have undergone review and have successfully secured a full-time appointment at their university with no expiration date; tenured professors may be hired from outside a university, though this position has the lowest yearly hiring rate among most universities. It is common for universities to restrict or delay their faculty hiring in the spring term ahead of the next academic year, in response to unforeseen events, or changes in needs. So it stands to reason that the hiring rate of new professors could be meaningfully affected by changes in university finances, and thus falls in state funding.

Absent this analysis, it is not immediately clear why stagnating state support and changes in faculty composition at public universities would be causally linked. Over the 21st Century there have been drastic changes to college selectivity, where the top universities have become more selective while the average university less selective ([Hoxby 2009](#)). While the average public university is becoming less selective, it is possible that their most productive or research-focused faculty more often move to more selective and prestigious (and often private)

institutions, so that over time public universities (on average) substitute towards contingent lecturers. This is one way in which the trends may be concurrent, but not causal. This analysis shows that stagnating in state funding for public universities cause the changes in faculty composition, explaining about 40% of the observed substitution towards contingent lecturers, so that it is possible that other systematic changes in higher education (such as changing selectivity) may explain the rest of the variation.

It is not immediately clear which effects will dominate, or whether tenured professors or lecturers will be affected more by changes in their university's funding. Yet there is one empirical fact worth noting: the average assistant or tenured professor earns more than double that of a lecturer (see [Table 2](#)). Additionally, universities must pay the higher salary to tenure-track/tenured professors for a guaranteed number years, which is not true for lecturers who are mostly on shorter term contracts. If a public university's primary obligation is to teach, and they must fulfil this objective with fewer and fewer resources, then they may substitute away from tenure-track and tenured professor towards contingent lecturers.

### 3 Empirical Framework

Universities employ professors, so it stands to reason that if a university experiences a fall in one of their revenue sources — similar to a demand shock in the private sector — then they may respond by adjusting their employee composition.

Naïvely we can analyse the relationship between professor-outcomes  $Y_{i,t}$  at university  $i$  in year  $t$  as a result of state funding per student  $X_{i,t}$ . This analysis focuses on the outcome of professor count per student within each university-year. So that  $\beta$  represents the association with these outcomes and state funding per student,<sup>13</sup> including fixed effects to control for

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<sup>13</sup>Note that dividing by student count also implicitly controls for the size of the university, so that this model implicitly accounts for yearly variation in professor count and university revenues arising from growth in a university.

effects specific to the university and year.  $\text{Log}(\cdot)$  transforming the variables improves the interpretability of  $\beta$  as an elasticity for professor count per student with respect to state funding per student.

$$Y_{i,t} = \alpha_i + \gamma_t + \beta X_{i,t} + \epsilon_{i,t} \quad (1)$$

Yet a university's finances are not exogenous to state decisions for support of higher education, or exogenous to internal institutional decisions. Instead, the state government and university administration undertake a complex process of allotting resources across multiple different priorities, including instruction, research, or between departments. For example, it may be the case that a state government restricts funding for only its lowest performing universities in response to a budget shock, introducing a treatment selection-on-outcome threat to identification. Importantly for this analysis, revenues received from an institution's state government provide opportunity to address such endogeneity.

### 3.1 State Funding Shocks

This analysis uses a shift-share instrument to address endogeneity concerns for the amount of funding a state gives to each of its public universities. [Deming & Walters \(2017\)](#), [Chakrabarti et al. \(2020\)](#) develop the instrument for public university finances by exploiting a shift-share instrument for changes in state-level funding interacted with university reliance on state funding in a base period.

$$Z_{i,t} := -\log \left[ \left( \frac{\text{Total State Funding}_{s(i),t}}{\text{Student Population}_{s(i),t}} \right) \sum_{\tau=0}^3 \frac{1}{4} \left( \frac{\text{State Funding}_{i,1990+\tau}}{\text{Total Revenues}_{i,1990+\tau}} \right) \right] \quad (2)$$

The system exploits the fact that institutions who rely on state funding more will be affected by state funding shocks.  $Z_{i,t}$  is the instrument for (log) state funding for institution  $i$  in year  $t$ , interacting the average funding for universities in state  $s(i)$  with reliance on

state funding relative to total revenues, averaged across the base years 1990–1993.<sup>14</sup>  $Z_{i,t}$  is constructed as negative to reflect the fact that the long term trend in, and most of the short-run shocks to, state funding for higher education has been negative. State funding has been falling, so that the instrument describes shocks to university revenues, mostly in a negative direction.<sup>15</sup> The instrument approach relies on the conditional independence assumption, that the instrument is independently assigned to the universities. While this assumption is fundamentally untestable, we see that universities are by-in-large smaller (in terms of enrolment, total revenues, and professor count) at the top of the state funding shock distribution. Though on a per student basis, there is little difference across the distribution (except in the outcomes under consideration). Yearly and individual fixed effects are included in regressions throughout to implicitly condition on mean differences between universities and years, leading to the assumption of conditional independence of the instrument with respect to state funding for each public university.

The state funding shock is an instrument for the amount of state funding for each university in each year. The first-stage is then as follows, including institution and year fixed effects, where  $X_{i,t}$  represents the amount of state funding divided by the number of full-time students attending the university.

$$X_{i,t} = \eta_i + \zeta_t + \delta Z_{i,t} + \epsilon_{i,t} \quad (3)$$

We note the conditions for exogeneity in the instrument (following the discussion presented

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<sup>14</sup>1990–1993 are defined as data for public university finance data are most comparable (i.e. without many missing values) beginning in 1990. [Deming & Walters \(2017\)](#) use the single year 1990 as the base year, though I use the four years to ameliorate missing values in the single year of 1990. Results are similar in either specification.

<sup>15</sup> [Chakrabarti et al. \(2020\)](#) note the tendency for public universities to respond to state funding cuts by increasing reliance on tuition, where [Deming & Walters \(2017\)](#) specifically instruments for tuition revenues with collected information on legislative tuition price controls. It may be argued that tuition revenues are confounder between the causal effect of changes in state funding on a university’s total revenues, so that this analysis focuses on state support for higher education (not total revenue), as do [Chakrabarti et al. \(2020\)](#). On the other hand, rises in tuition revenues (per student) may arise as result of tuition hikes thanks declining state support, which would mean controlling for tuition would constitute a bad control. Nonetheless, estimates including tuition revenues (per student) as a control in the second stage of the IV estimates produces results of very similar magnitude and direction, and so are omitted.



**Table 3:** Mean Characteristics for Public Universities, by State Funding Shock Instrument.

Instrument Quantile:	1st	2nd	3rd	4th	5th
State Funding Shock, \$ per student	1,423.00	2,576.00	3,546.00	4,995.00	8,250.00
State Funding, per student	12,135.00	9,824.00	9,102.00	9,287.00	13,335.00
Total Full-time Enrolment	13,555.00	12,103.00	11,076.00	11,239.00	9,701.00
State Funding, \$ millions	103.00	95.00	95.00	103.00	101.00
Total Revenues, \$ millions	962.00	465.00	345.00	292.00	233.00
Total Revenues, \$ per student	113,099.00	43,997.00	30,704.00	25,264.00	28,170.00
Lecturer Count	84.00	66.00	61.00	53.00	38.00
Assistant Professor Count	147.00	117.00	108.00	107.00	91.00
Full Professor Count	346.00	266.00	244.00	245.00	236.00
Total Professor Count	567.00	442.00	406.00	402.00	365.00
Lecturers, per student	0.01	0.01	0.01	0.01	0.01
Assistant Professors, per student	0.02	0.01	0.01	0.01	0.01
Full Professors, per student	0.03	0.02	0.02	0.02	0.03
Total Professors, per student	0.05	0.04	0.04	0.04	0.05

**Note:** The column labelled “1st” refers to the mean for all university-year observations in the first quintile (bottom 20%) of the funding shock distribution, and so on. The mean of the funding shock within each quintile is shown in the first row of the table.

by [Chakrabarti et al. 2020](#)). The instrument is exogenous if state policy decisions for funding of public universities are uncorrelated with unobserved institutional changes of any specific college or university in the state ([Borusyak, Hull & Jaravel 2022](#)). This assumption is plausible given that the majority of states have multiple (i.e., more than five) public universities, without any single university campus receiving the majority of state funding within any single state. Secondly, the shift-share identification strategy requires exogeneity in either the base-line share or shift component of the instrument. In this case, we satisfy the second: universities’ institutional-level decisions are not correlated with contemporaneous or upcoming shocks to state funding.<sup>16</sup> Lastly, the shift-share approach assumes that state funding shocks affect faculty outcomes only via affecting university finances.

The shift-share instrument performs excellently as an instrument for universities’ yearly state funding. [Table 4](#) presents results of the first-stage regression, separately with and

<sup>16</sup>It would be plausible to consider the case that universities make institutional-level decisions in a consistently different manner to those with differing reliance on state funding in 1990, so that exogeneity by the base-line share is not plausible here.

**Table 4:** First Stage Estimates, for State Funding by funding shock.

	Dependent Variable: State Funding			
	(1)	(2)	(3)	(4)
Appropriations Shock	−0.980 (0.078)	−0.350 (0.084)	−0.990 (0.075)	−0.608 (0.059)
Tuition Revenue			0.063 (0.055)	0.558 (0.059)
Constant		6.011 (0.688)		−0.982 (0.751)
Uni. + Year fixed effects?	Yes	No	Yes	No
F stat.	175.636	104.65	156.791	17.487
Observations	18,504	18,504	18,504	18,504
R <sup>2</sup>	0.801	0.064	0.801	0.222

**Note:** Standard errors are clustered at the state-year level.

without a control for tuition revenue per student, plus institution and year fixed effects.<sup>17</sup> We note columns (1) and (2) estimate that a funding shock (per student in the entire state) of 10% is associated with 9.8% change in state funding per student at the university; the instrument is strong, and we note similarity in estimates with and without inclusion of fixed effects. Columns (3) and (4) include the tuition revenue control (explained in [footnote 15](#)) to exhibit estimates with the inclusion of this possible collider or bad control. Column (3) shows similar estimates to columns (1), (2) thanks to inclusion of fixed effects, so that the fixed effects was effective in soaking variation in per-student tuition revenues at the institution-year level. Column (1) represents the estimates for [Equation \(3\)](#) with fixed effects, omitting the tuition revenue control, and is the preferred form that I proceed with. Lastly, the state funding shock affects university revenues for multiple years after the initial shock (see [Figure A1](#)). We see a decaying, yet real and positive, effect of the shock on revenues for the next 10 years, illustrating that the state funding shock is a strong, if fading, instrument for state funding

<sup>17</sup>Representations for frequentist significance levels (i.e. 10, 5, 1% etc.) are omitted here, and in all following tables.

per student and justifying its use in later local projections models.

These results, together with the case for exogeneity, show the funding shock instrument strongly predicts university revenues in the first-stage estimation.

### 3.2 Instrumental Variables Model, University-Level

The primary empirical model combines the instrumental variable for state funding shocks with the empirical model for the effects of state funding at the university-level — i.e., parameter  $\beta$  in the following.<sup>18</sup>

$$X_{i,t} = \eta_i + \zeta_t + \delta Z_{i,t} + \epsilon_{i,t} \quad (4)$$

$$Y_{i,t} = \alpha_i + \gamma_t + \beta \hat{X}_{i,t} + \varepsilon_{i,t} \quad (5)$$

I estimate the system by two stage least squares, including institution and year fixed effects, and investigate outcomes at the university-level to analyse effects on the university as a result of changes in revenues. Additionally, I estimate the model via local projections (Jordá 2005, Basso, Miller & Schaller 2022) to investigate whether faculty composition is affected in the years after the initial funding shock (in addition to the initial year).<sup>19</sup> Regarding outcomes, I focus on the composition of the professors employed at the university by analysing (log) count of professors per student by each university.

<sup>18</sup>It is important to note the treatment effect isolated here; the instrumental variables approach identifies the local average treatment effects, one specific to the instrument. So we interpret this treatment effect as a university's response in employment count and average salaries to state funding changes, changes specific to state funding shocks, among the complier group — i.e., universities who respond to funding shocks who would not have made faculty-outcome changes absent the funding shock. Also, we assume that no universities' total revenues increase in response to negative state funding shock (monotonicity).

<sup>19</sup>The local projections method is an empirical model used to estimate dynamic treatment effects when the treatment is not binary, so that time-series confounding (i.e., treatment in time  $t$  is correlated with treatment in time  $t - 1$ ) is present, even for instrumental variable models. Inference in this method is for whether treatment  $X_{i,t}$  affects the outcome  $Y_{i,t+k}$  in follow on years  $k = 1, \dots$ , in addition to year  $t$ . I present estimates in graphical form (see Figure 5).

### 3.3 Instrumental Variables Model, Individual Professor-Level

This analysis additionally uses data on individual professors in the Illinois university system, to investigate the effects of changes in university revenues on the individual professors at the universities. Redefining the level of outcome requires adjustment to the empirical approach, leveraging variation in university finances for the years after a professor joins the university.<sup>20</sup>

Equation (6) defines a rolling-share variant of the instrument,  $\tilde{Z}_{j,t}$ , where the university's state funding share exposure is based in the year a professor joins the university — and not the base period 1990–1993.  $j$  indexes each professor in year  $t$ ,  $\tau(j)$  for the year the professor first joins their institution.<sup>21</sup>

$$\tilde{Z}_{j,t} := -\log \left[ \left( \frac{\text{Total State Funding}_{s(j),t}}{\text{Student Population}_{s(j),t}} \right) \left( \frac{\text{State Funding}_{\tau(j)}}{\text{Total Revenues}_{i,\tau(j)}} \right) \right] \quad (6)$$

This approach leverages an insight, made available by level of the data: that an individual professor is affected by changes in university revenues after they have joined the university.<sup>22</sup> Exogeneity and relevance of the rolling-share instrument,  $\tilde{Z}_{j,t}$ , follows the same reasoning as that for the base-share instrument,  $Z_{i,t}$ , discussed in subsection 3.1.<sup>23</sup> We satisfy the assumptions for exogeneity by noting that none of the Illinois public campuses take the majority of state funding, and that the identification strategy relies on exogeneity in changes in

<sup>20</sup>This formulation follows that presented by Chakrabarti et al. (2020), where individual student outcomes are analysed via variation in state funding after their freshman-year. This contrasts with subsection 3.2 and Deming & Walters (2017), where the unit of analysis is the university-year, where base year 1990 is more appropriate.

<sup>21</sup>Identifying  $\tau(j)$  is possible for  $j$  by restricting to all professors hired 2011–2021 — i.e., in the years after the start of the full panel. It is not possible to discern the hiring year for professors who were hired in the years preceding 2011, and so the entire sample is only possible to analyse using the base-share in years 1990–1993 formulation (e.g., Table A6, A8).

<sup>22</sup>Notice that subsection 3.2 considers the number of professors employed by the university; whether a professor becomes employed at the university is likely affected by that university's finances. The formulation in this section does not consider whether the professor joins the university, instead taking as given that the professor is employed at the university, and then projects the effect on the individual.

<sup>23</sup>The base-share instrument is appropriate for some outcomes with the individual Illinois professors, where appropriate (Table A6, A8).

state funding to individual professor-outcomes, following the year they joined the university.<sup>24</sup> Table A2 presents results of the first stage estimation, showing that the instrument is strong in the same way as that for the university-level outcomes (Table 4), with very similar estimates for the association between funding shocks and state funding.

The instrumental variables model is then defined as follows, where  $i(j)$  refers to the institution that professor  $j$  is employed at, and  $Y_{j,t}$  to individual-level outcomes total salary, rate of promotion, and propensity to leave the Illinois public university system. The system includes fixed effects for the institution and first year of employment.<sup>25</sup>

$$X_{i(j),t} = \theta_{i(j)} + \phi_{\tau(j)} + \delta \tilde{Z}_{i(j),t} + \epsilon_{i(j),t} \quad (7)$$

$$Y_{j,t} = \mu_{i(j)} + \nu_{\tau(j)} + \beta \hat{X}_{i(j),t} + \varepsilon_{j,t} \quad (8)$$

We then interpret parameter  $\beta$  as the effect of changes in state funding at an Illinois public university, via state funding shocks, on an individual professor's outcome  $Y_{j,t}$ .

## 4 Results

### 4.1 University-Level

Changes in state funding have clear effects on the composition of faculty public universities employ. Table 5 presents OLS and IV estimates, where the outcome is (log) count of professors employed at the university, separated by position, and for all professors (Columns 7, 8). For all professors we see a positive correlation between university revenues and professor count

<sup>24</sup>Additionally, within-institution changes resulting from share reliance on state funding may be correlated with unobserved changes in the outcomes, so that Chakrabarti et al. (2020) note the importance of controlling for the base share and state student population. The formulation here implicitly controls for these factors via the fixed effects; results are relatively similar while including these controls with and without including fixed effects, and so are omitted.

<sup>25</sup>The instrument varies by institution, based in the year of first employment, so that these are the corresponding fixed effects and levels of clustered standard errors.

per student (the OLS columns), where an increase in university total revenues by 10% is associated with an increase in professor count per student of 0.83%, yet negatively correlated with lecturer count of -1.3%. Lecturers per student is not shown to be correlated with total university revenues. The 2SLS columns show results after identifying state funding with the funding shock. All professor count per student increases by 0.53% in response to a 10% rise in total revenues. The effect is driven by increases in the count of assistant and full professors (i.e. tenure-track and tenured) per student, where assistant professor count per student increase by 1.4%, and full professor 1.2%. The count of lecturers per student decreases by 4.4% in response to a (positive) 10% shock in university revenues.

**Table 5:** OLS and 2SLS Estimates for University Faculty Composition.

	Dependent Variable: Employment Count by Professor Group							
	Lecturer		Assistant		Full		All	
	OLS	2SLS	OLS	2SLS	OLS	2SLS	OLS	2SLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
State Funding	-0.129 (0.030)	-0.437 (0.101)	0.086 (0.044)	0.136 (0.075)	0.128 (0.058)	0.120 (0.037)	0.083 (0.047)	0.053 (0.031)
Observations	17,329	17,329	17,826	17,826	17,929	17,929	18,504	18,504
R <sup>2</sup>	0.671	0.657	0.709	0.708	0.783	0.783	0.812	0.812

**Note:** Standard errors are clustered at the state-year level.

Faculty composition is not only impacted in the same years as a state funding shock, but also for a number years following. [Figure 5d](#) shows local projection estimates, where the effect on total professor count per student is around 0.1 in both the same year year as the initial funding shock, and for the next 2 years. These findings are in line with the observation that universities froze hiring for a couple of years in response to 2008 negative budget shocks, particularly for tenure-track positions ([Turner 2014](#)), and similarly from shocks to university endowments ([Brown et al. 2014](#)). For lecturers, we see a negative effect which lines up with two trends noted in [subsection 1.2](#): public universities revenues (per student) are decreasing at

the same time as employment of contingent lecturers increased rapidly. And yet, identifying the university revenues by the state funding shock increases the magnitude of the effect (Column 2) with respect to the association (Column 1), strengthening the case that the two trends are causally linked.<sup>26</sup>

Decreases in university revenues (via state funding shocks) affect faculty composition for at most 4 years after the initial revenue shock. A 10% decrease in state funding increases count of lecturers per student by 4% for the first two years after the initial shock. While count of assistant professors decreases 10 to 18.5% three years later; count of tenured professors decreases 9 to 6% three years later. Together, the total count of professors per student decreases around 1% for three years after the initial funding shock, and the effect is not distinguishable from zero four years after. [Figure 5](#) represents these estimates, using the local projection method, as a series of impulse responses for each outcome of professor count.

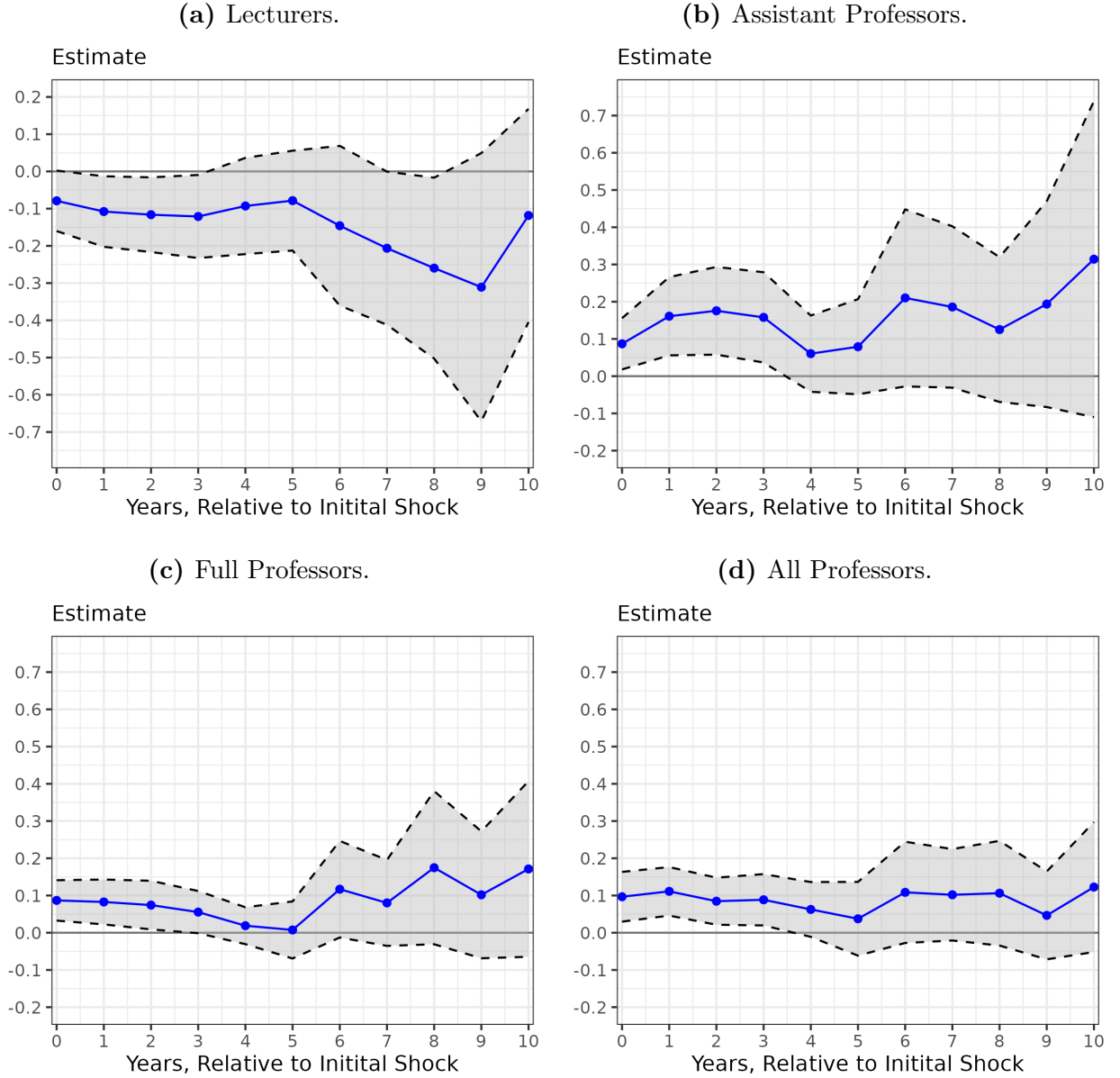
These findings show that public universities increase (decrease) their count of tenure-track and tenured professors per student in years when revenues are more (less) plentiful, possibly by increasing hiring intensity or efforts to maintain incumbent professors. In the same vein, when revenues are (not) bountiful, count of tenure-track and tenured professors per student increases (decreases). The mechanism that explains the changes in faculty composition are, however, not clear at this unit of analysis.

## 4.2 Individual Professor Outcomes

I first examine whether a shock to the university's revenues affects the salaries of professors at the university. The first outcome is first-year salary for each professor by their position; [Table 6](#) presents 2SLS estimates for the elasticity of total salaries with respect to university revenues, among the sample with a year of starting employment after 2010. New hires of

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<sup>26</sup>Between years 1990-1999 IPEDS provided count of professors by whether they had tenure (opposed to named position as in [Table 5](#)), and [Table A3](#) presents results of the respective regressions by tenure status. Results are relatively similar, yet imprecise from the much smaller number of observations.

**Figure 5:** Local Projection Estimates for Professor Count per Student, by Professor Group.

assistant, full, or administrative position professors are not related to revenues, via a funding shock, in their first-year of employment. Yet, the starting salary of lecturers is 3.8% higher given an increase in their hiring university's state funding of 10%.

Regarding total salary for every year of employment, [Table 7](#) presents estimates for



**Table 6:** 2SLS Estimates for Faculty Salaries, in First-Year, at Illinois Universities.

	Dependent Variable: Salaries by Professor Group				
	Lecturer	Assistant	Full	Admin	All
	(1)	(2)	(3)	(4)	(5)
State Funding	0.384 (0.158)	−0.256 (0.212)	−0.378 (0.313)	−0.130 (0.331)	0.238 (0.196)
Observations	8,786	5,090	1,248	3,153	18,277
R <sup>2</sup>	0.303	0.075	0.100	0.250	0.223

**Note:** Standard errors are clustered at the institution and first year of employment level.

the elasticity of total salary with respect to university revenues, for the entire sample of professors hired after 2010.<sup>27</sup> The elasticity is non-distinguishable from zero among any position, implying that long-term salaries are not related to state funding. [Table A6](#) presents the same model, for the sample of all professors and using the instrument based in years 1990-1993, similarly finding no relationship.

**Table 7:** 2SLS Estimates for Faculty Salaries at Illinois Universities.

	Dependent Variable: Salaries by Professor Group				
	Lecturer	Assistant	Full	Admin	All
	(1)	(2)	(3)	(4)	(5)
State Funding	0.009 (0.094)	−0.072 (0.040)	−0.044 (0.038)	−0.013 (0.049)	−0.011 (0.086)
Observations	25,820	22,156	9,001	11,472	68,449
R <sup>2</sup>	0.217	0.051	0.074	0.143	0.161

**Note:** Standard errors are clustered at the institution-year level.

Note that professor position (assistant, associate, full) is also an outcome, thanks to the promotion channel: a university may be less able to promote their professors to higher paying

<sup>27</sup>Recall that this is a subsample of the entire data, that the rolling shift-share instrument is only defined for the sample with an observed hiring date in the years 2011-2021.

positions when their revenues are constrained. [Table A7](#) shows estimates where the outcome is rate of promotion within each professor position. The lecturer position describes the sample of professors who were ever listed as a non-tenure track lecturer and the binary for promotion equals one in a year they achieved an assistant professor position; assistant the same for the assistant to associate professor promotion; associate same for associate to full promotion. There is no discernible relationship between revenues and promotion among any position.<sup>28</sup> Furthermore, local projection estimates ([Figure A4](#)) show that there is no promotion effect, among all professors, for any of the following years either. Lastly, [Table A9](#), [A10](#) describes estimates for rate of exit from the employing university among Illinois professors, and finds no relationship with university revenues.

## 5 Discussion

The results show that the recent stagnation in state funding for higher education has affected the composition of faculty within public universities, away from tenure-track and tenured professors towards contingent lecturers. At the same time, there are little discernible effects on individual professors hired in the years 2011-2021 at Illinois public universities. The rate that faculty leave their university, and their rate of promotion between positions, are unaffected by the university revenues, so this leaves one primary channel to explain changes in faculty composition: hiring.

The number of professors at a university changes between academic years: professors leave an institution (retiring, hired elsewhere, etc.), while others join (they are newly hired, end a sabbatical, etc.). [Section 4.2](#) shows that most of these channels are unaffected, implying that falls in hiring for tenured-track and tenured faculty must explain most of the substitution towards lecturers and away from tenured professors. Notably, faculty hiring is suspected to

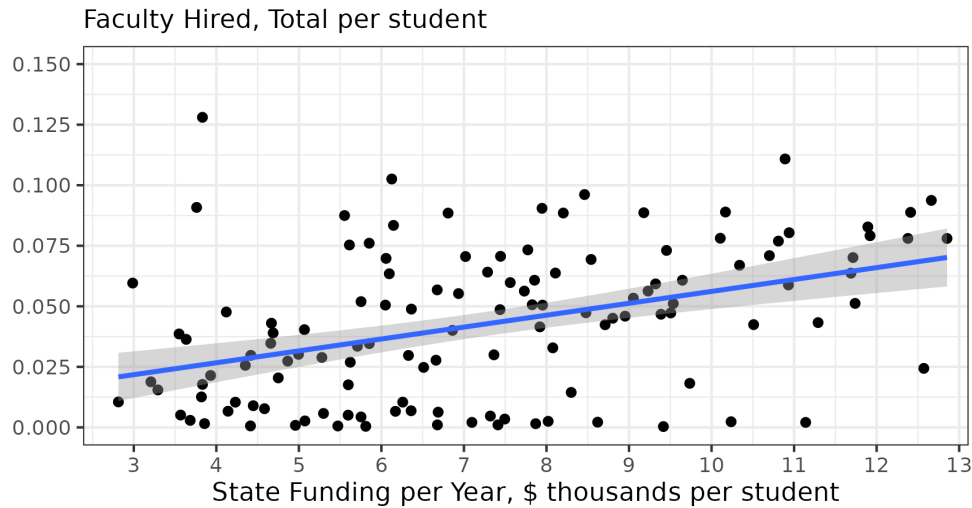
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<sup>28</sup>[Table A8](#) shows estimates using the base-year instrument among the entire sample, finding the same results.

be impacted by changes in university funding; for example, [Turner \(2014\)](#) documents the wide-spread practice of hiring freezes at universities in response to budget shocks around the 2008 recession. Similar measures were taken by Illinois public universities in response to their deteriorating finances in the 2010s ([Employee Relations and Human Resources at the University of Illinois 2010](#)). The University of Illinois did not receive funding from the state of Illinois before the next fiscal year started, so enacted cost-cutting measures to stay fiscally solvent in the interim. As one such cost-cutting measure, the university system placed a freeze on all hiring for filling state-funded positions and promotions.

The data used so far measure faculty count, so cannot disentangle which channels are most affected by changes in state funding at a public university. [Figure 6](#) uses data on the total faculty hired at US public universities over 2011–2021, provided by [Wapman et al. \(2022\)](#),<sup>29</sup> showing a correlation between professor hiring rate and the total state funding per student.

**Figure 6:** State Funding and Faculty Hired at Public Universities, Total for 2011–2021.



Universities with more state funding (for the entire decade) hired more professors ([Figure 6](#)). Similarly, the funding shock IV model shows that a decrease of  $-10\%$  in state funding

<sup>29</sup>[Wapman et al. \(2022\)](#) provided an aggregated sample of their data as open-source, making this analysis possible.

leads to  $-13\%$  fewer faculty hires per student across the decade 2011–2021 (see [Table A5](#) for full regression model results).<sup>30</sup> It is clear that public universities’ hiring is negatively impacted by falls in state funding, even using this highly aggregated count of professor hiring across an entire decade. While this analysis strengthens the case negative effects on hiring plays, it is crude for measuring exact magnitudes for the effect on faculty hiring. I leave it to further research to delve deeper into the magnitudes that hiring plays as the primary causal mediator for the effects of falls in state funding on faculty composition at public universities.

## 6 Summary and Concluding Remarks

This analysis investigates how the recent stagnation in state support for higher education has affected public universities, and their faculty composition. This work contributes to the literature along two primary dimensions. Firstly, by isolating changes in state funding on public universities via state funding shocks, the analysis provides a plausible mechanism for the observed negative effects on students outcomes that this stagnation has brought ([Deming & Walters 2017](#), [Chakrabarti et al. 2020](#)). Secondly, this analysis considers individual professors as the unit of analysis using a dataset (IBHED) new in the economic literature. These data allow for detailed analysis of thousand’s of professors’ salaries, and are a starting point for further analysis of the determinants of professors wages in the Illinois public university system.

Public universities have systematically substituted away from tenure-track and tenured professors, towards non-tenured lecturers, in the face of persistent declines in state funding for higher education. The effects on incumbent professors in the state of Illinois are non-distinguishable from zero, while suggestive information shows falls in hiring, which together

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<sup>30</sup>These results were produced by integrating the total count of faculty hires for 2010–2021 for the top-ranked 180 US universities with a sum of the funding variables, and then estimating the models specified in [subsection 3.2](#). There were no observable differences in the hiring rate of male vs female faculty. See [subsection A.4](#) for further details.

implies that the changes in faculty composition are driven by reduced hiring of new professors. Public universities are using more contingent lecturers to teach their students, while private universities continue to employ more tenure-track and tenured professors than their public counterparts, and each year the gap widens.

While costs education have been rising in the US, public universities have also dealt with declining state funding. It is natural to expect that such headwinds will lead to systematic change at public universities, changes that affect their faculty, and limit the universities' goals in research and education. These results show large changes in faculty composition, and that stagnation in state support explains at least a third of the observed shift away from tenured professors and towards contingent lecturers. At the same time, private universities were not exposed to financial headwinds of the same magnitude or persistence. While public universities continue to educate the majority of higher education students in the US, we should worry about the effects of restricting their funding has on faculty composition, research at public universities, and the impact on higher education as a whole.

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## A Appendix

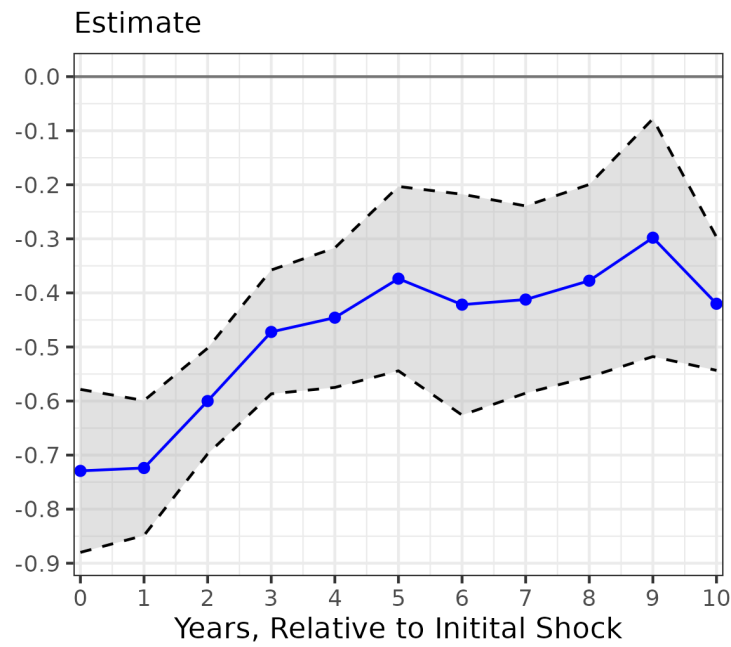
This project used data which are fully public, and computational tools which are fully open-source. As such, all code and data involved in this project are available at this project’s Github repository, available at <https://github.com/shoganhennessy/state-faculty-composition>. They may be used for replication, or as the basis for further work, as needed. Any comments or suggestions may be sent to me at [seh325@cornell.edu](mailto:seh325@cornell.edu), or raised as an issue on the Github project.

A number of statistical packages, for the *R* language (R Core Team 2022), made the empirical analysis for this paper possible.

- *Tidyverse* (Wickham, Averick, Bryan, Chang, McGowan, François, Golemund, Hayes, Henry, Hester, Kuhn, Pedersen, Miller, Bache, Müller, Ooms, Robinson, Seidel, Spinu, Takahashi, Vaughan, Wilke, Woo & Yutani 2019) collected tools for data analysis in the R language.
- *LFE* (Gaure 2013) implemented linear fixed effect models, with instruments, crucial for the empirical estimation in section 3.
- *Stargazer* (Hlavac 2018) provided a method to efficiently convert empirical results into presentable output in L<sup>A</sup>T<sub>E</sub>X.
- *Lpirfs* (Adämmer 2019) implemented estimation of the Jordá (2005) local projections methods, with instrumental variables, crucial to the local projections estimates presented in this project.

## A.1 First Stage Local Projection Estimates

**Figure A1:** Local Projection Estimates for First-Stage [Equation \(3\)](#).



## A.2 First Stage Estimates, Individual Outcomes

**Table A1:** IBHED Summary Statistics, Entire Professor Panel 2010–2021.

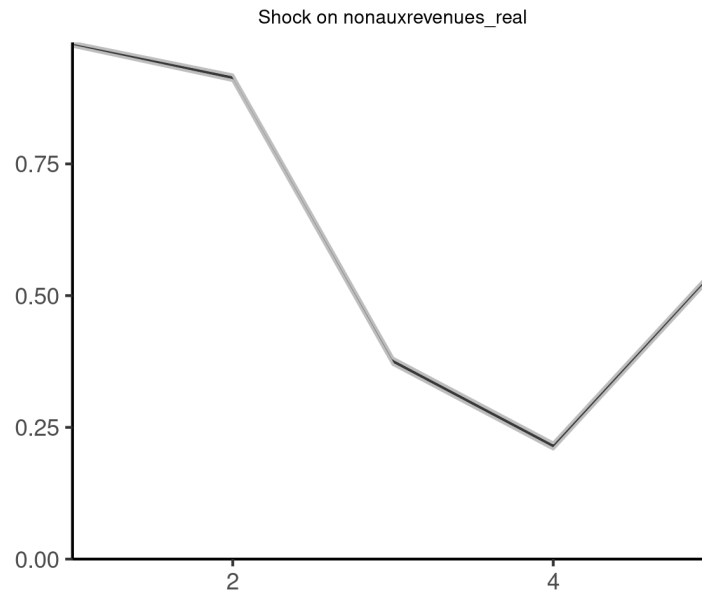
Statistic	Mean	St. Dev.	Median	N
Lecturer, percent	38	48	0	68,449
Assistant professor, percent	32	47	0	68,449
Full professor, percent	13	34	0	68,449
Administrator professor, percent	17	37	0	68,449
Lecturer salary (2021 USD)	27,931	25,783	18,729	25,820
Assistant salary (2021 USD)	79,842	37,139	75,541	22,156
Full salary (2021 USD)	108,252	57,567	97,527	9,001
Administrator salary (2021 USD)	111,256	62,519	99,012	11,472
All salary (2021 USD)	69,261	54,443	65,954	68,449
Lecturer benefits (2021 USD)	1,930	6,951	0	25,820
Assistant benefits (2021 USD)	2,820	7,067	0	22,156
Full benefits (2021 USD)	5,892	13,476	0	9,001
Administrator benefits (2021 USD)	3,188	19,671	0	11,472
All benefits (2021 USD)	2,950	11,165	0	68,449

**Note:** This table presents the summary statistics for professors with an observed year of first-year at their university.

**Table A2:** First Stage Estimates, for Total University Revenues at the Individual-Level.

	Dependent Variable: State Funding			
	(1)	(2)	(3)	(4)
Appropriations Shock	−0.939 (0.024)	−0.486 (0.084)	−0.920 (0.024)	−0.328 (0.066)
Tuition Revenue	0.711 (0.223)	0.766 (0.280)		
Constant		−1.906 (2.827)		6.484 (0.549)
Fixed effects?	Yes	No	Yes	No
F stat.	1508.997	33.586	1470.24	24.842
Observations	68,449	68,449	68,449	68,449
R <sup>2</sup>	0.911	0.416	0.906	0.257

**Note:** Standard errors are clustered at the university-year level.

**Figure A2:** Local Projection Estimates for First-Stage [Equation \(7\)](#).

### A.3 Additional Results, University-Level

Table A4 presents OLS and IV estimates where the outcome is (log) mean salary for professors employed at the university, separated by position. Similarly, Figure A3 shows the staying-power via projection methods. The outcome, mean salary is crude.

**Table A3:** OLS and 2SLS Estimates for University Faculty-Tenure Composition.

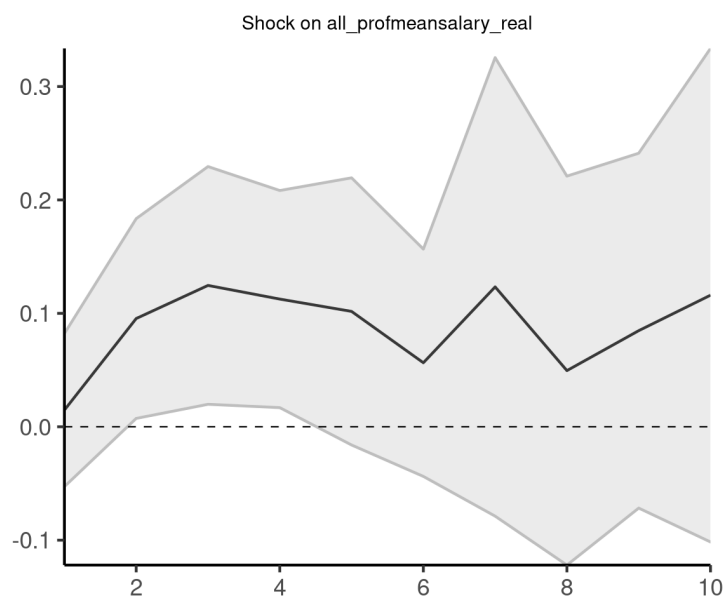
	Dependent Variable: Employment Count by Tenure Group							
	Non-tenure		Tenure-Track		Tenured		All	
	OLS	2SLS	OLS	2SLS	OLS	2SLS	OLS	2SLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
State Funding	-0.0004 (0.016)	1.499 (10.764)	0.048 (0.051)	1.926 (8.050)	0.051 (0.029)	0.267 (1.104)	0.037 (0.023)	0.893 (4.610)
Observations	4,825	4,825	5,094	5,094	5,130	5,130	5,181	5,181
R <sup>2</sup>	0.849	0.588	0.777	-0.413	0.898	0.872	0.932	0.426

**Note:** Standard errors are clustered at the university-year level.

**Table A4:** OLS and 2SLS Estimates for University Faculty Salaries.

	Dependent Variable: Mean Salary by Professor Group							
	Lecturer		Assistant		Full		All	
	OLS	2SLS	OLS	2SLS	OLS	2SLS	OLS	2SLS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
State Funding	0.010 (0.005)	0.034 (0.025)	0.007 (0.006)	0.011 (0.021)	0.011 (0.005)	0.027 (0.029)	0.004 (0.011)	0.018 (0.035)
Observations	16,686	16,686	17,750	17,750	17,837	17,837	17,759	17,759
R <sup>2</sup>	0.670	0.668	0.809	0.809	0.826	0.825	0.403	0.403

**Note:** Standard errors are clustered at the state-year level.

**Figure A3:** Local Projection Estimates for Professor Salary, Mean within Each University.

## A.4 Additional Results, Faculty Hiring

These results were collected by using the open-source network data by [Wapman et al. \(2022\)](#), summing the count of hires a university made for 2011–2021 across the network structure of the data, and integrating a sum of all revenue related measures from IPEDS data.

**Table A5:** OLS and 2SLS Estimates for University Faculty Hiring, Total for 2011–2020.

	Dependent Variable: Hiring Count					
	Men		Women		Total	
	OLS	2SLS	OLS	2SLS	OLS	2SLS
	(1)	(2)	(3)	(4)	(5)	(6)
State Funding	0.810 (0.223)	1.307 (0.365)	0.851 (0.236)	1.324 (0.335)	0.854 (0.221)	1.306 (0.351)
Observations	157	157	157	157	157	157
R <sup>2</sup>	0.397	0.367	0.416	0.385	0.409	0.382

**Note:** Standard errors are clustered at the state level.

Note that yearly variation is not observed here, so that only the aggregate level, for 180

universities, can be considered.

## A.5 Additional Results, Individual-Professor Level

**Table A6:** 2SLS Estimates for Faculty Salaries at Illinois Universities.

	Dependent Variable: Salaries by Professor Group				
	Lecturer	Assistant	Full	Admin	All
	(1)	(2)	(3)	(4)	(5)
State Funding	−0.104 (0.044)	−0.022 (0.023)	−0.014 (0.005)	−0.050 (0.027)	−0.086 (0.043)
Observations	49,637	39,051	68,243	28,639	185,570
R <sup>2</sup>	0.184	0.062	0.078	0.127	0.138

**Note:** Standard errors are clustered at the institution-year level.

**Table A7:** 2SLS Estimates for Faculty Promotion Rate at Illinois Universities, using Rolling Instrument.

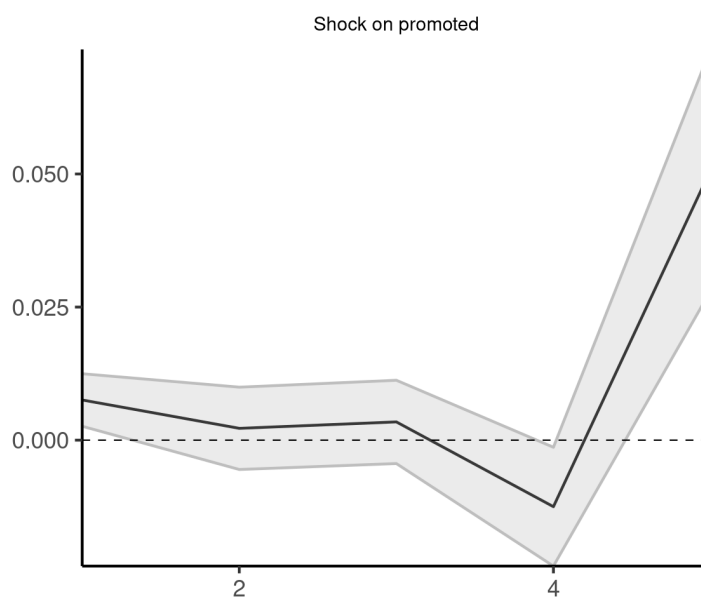
	Dependent Variable: Promotion Rate by Professor Group			
	Lecturer	Assistant	Associate	All
	(1)	(2)	(3)	(4)
State Funding	0.014 (0.007)	0.035 (0.019)	0.029 (0.062)	0.014 (0.009)
Observations	16,346	17,094	4,377	42,396
R <sup>2</sup>	0.007	0.024	0.029	0.009

**Note:** Standard errors are clustered at the institution and first year of employment level.

**Table A8:** 2SLS Estimates for Faculty Promotion Rate at Illinois Universities, using Base-Year Instrument.

	Dependent Variable: Promotion Rate by Professor Group			
	Lecturer	Assistant	Associate	All
	(1)	(2)	(3)	(4)
State Funding	0.015 (0.008)	0.020 (0.009)	0.009 (0.012)	0.002 (0.003)
Observations	36,097	39,527	35,978	135,221
R <sup>2</sup>	0.014	0.018	0.025	0.004

**Note:** Standard errors are clustered at the institution and first year of employment level.

**Figure A4:** Local Projection Estimates for Promotion Rate at Illinois Universities.



**Table A9:** 2SLS Estimates for Faculty Exit Rate at Illinois Universities, using Rolling Instrument.

	Dependent Variable: Exit rate by Professor Group				
	Lecturer	Assistant	Full	Admin	All
	(1)	(2)	(3)	(4)	(5)
State Funding	−0.007 (0.024)	0.002 (0.006)	−0.004 (0.008)	−0.003 (0.020)	−0.006 (0.015)
Observations	23,376	19,757	7,190	10,191	60,514
R <sup>2</sup>	0.013	0.006	0.014	0.068	0.016

**Note:** Standard errors are clustered at the institution and first year of employment level.

**Table A10:** 2SLS Estimates for Faculty Exit Rate at Illinois Universities, using Base-Year Instrument.

	Dependent Variable: Exit rate by Professor Group				
	Lecturer	Assistant	Full	Admin	All
	(1)	(2)	(3)	(4)	(5)
State Funding	−0.009 (0.015)	0.0001 (0.003)	0.001 (0.003)	0.018 (0.020)	0.004 (0.009)
Observations	45,734	35,882	62,499	26,337	170,452
R <sup>2</sup>	0.030	0.005	0.003	0.026	0.016

**Note:** Standard errors are clustered at the institution and first year of employment level.