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Intergenerational conflict and the political economy of higher education funding

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ABSTRACT

We examine how a population's age distribution and a growing divide between the ethnic composition of older and young generations is likely to affect support for higher education funding. Using detailed survey data on voter preferences for higher education funding and precinct-level vote returns from locally-funded community college bond referenda in California, we find that older voters are significantly less supportive of higher education funding than younger voters and that support among older non-Hispanic white voters is particularly weak when those voters reside in a jurisdiction where the college-age population is more heavily Hispanic.

1. Introduction

Two important trends in the demographic composition of the US population, the ageing of a predominantly non-Hispanic white baby boom generation and the growth of a racially diverse younger population, have led to growing speculation that the next several decades will witness an increase in intergenerational conflict over the level and mix of services provided by state and local governments. As noted by Frey (2010), this conflict may arise not only because of age-related differences in preferences for public goods, but also because of distinct differences in the racial, ethnic and cultural composition of younger and older generations.[1]

Recent studies that examine the relationship between the share of elderly in the population and support for local K-12 school spending suggest that concerns over intergenerational conflict may be well founded. Epple et al., (2012), Figlio and Fletcher (2012), Reback (2015), Brunner and Ross (2010), Cattaneo and Wolter (2009), and Fletcher and Kenny (2008), all find that the fraction of elderly in the population negatively affects support for local school spending.[2] Furthermore, Figlio and Flecher (2012), Poterba (1997), Ladd and Murray (2001), Brunner and Balsdon (2004) and Fletcher and Kenny (2008) find that support for K-12 school funding among the elderly is particularly weak in communities where the school-age population is more heavily nonwhite relative to the elderly population.

A common feature of studies in this literature is that they focus exclusively on support for K-12 school spending. What has been largely overlooked is how a growing share of elderly in the population and a growing divide between the racial and ethnic composition of older and younger generations is likely to affect support for higher education spending. The purpose of this paper is to address those questions.

Our analysis is based on two distinct but complimentary data sources. The first is detailed survey data, collected between 2008 and 2011 by the Public Policy Institute of California (PPIC), on voter opinions related to issues affecting California's public colleges and universities. The surveys asked approximately 8000 potential voters in California whether they would be willing to pay higher taxes to maintain funding for colleges and universities and a host of demographic questions, including the respondent's age, race and ethnicity, and whether they or their children attended a college or university in California. The second is actual precinct-level vote returns from local community college bond elections held in California between 2002 and 2011.

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[1] For example, in 2010, non-Hispanic whites accounted for 80% of the U.S. population age 65 or older but just 56% of the population under the age of 25. These racial/ethnic generational differences are even more pronounced in high-immigration states like California where non-Hispanic whites account for 62% of the population age 65 or older but just 29% of the population under the age of 25.

[2] The findings of less recent studies are more mixed but generally suggest that an increase in the share of elderly in the population reduces support for K-12 school spending. Examples include Poterba (1997), Ladd and Murray (2001), Harris et al., (2001), Brunner and Balsdon (2004), and Berkman and Plutzer (2004).

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California contains 72 community college districts which have the authority to issue general obligation bonds to finance capital projects, subject to the approval of voters within their district. The bonds are repaid with revenue raised from property tax overrides that remain in effect until the bonds are fully repaid.

California's status as a high immigration state, particularly immigration from Mexico and Latin America, implies the racial/ethnic generational gap in California is driven primarily by the presence of an older population that is predominantly non-Hispanic white and a younger college-age population among which Hispanics represent the largest racial/ethnic group. Consequently, we focus primarily on whether the voting behavior of older non-Hispanic white voters varies systematically with the share of the college-age population that is Hispanic.

We begin our analysis by using the PPIC survey data to estimate linear probability models where the dependent variable is an indicator for whether a respondent stated they would vote in favor of higher taxes to support higher education funding and the key independent variables are an indicator for voters age 45 or older and the interaction between that variable and the share of the college-age population within a respondent's county that is Hispanic. We present separate estimates based on the subsamples of non-Hispanic white respondents, all respondents other than non-Hispanic whites and Hispanic respondents. We then aggregate our linear probability models up to the census tract level to develop specifications that allow us to analyze aggregate, precinct-level vote returns from local community college bond elections. In these aggregated models, the dependent variable is the fraction of voters within a census tract that vote yes on a local community college bond election and the key independent variables are the share of a census tract's voters that are non-Hispanic white and over the age of 45 and that variable interacted with the share of a community college district's students that are Hispanic. In both our analysis of individual survey responses and aggregate precinct vote returns our preferred specifications also include jurisdiction (county or community college district) fixed effects.

It is worth noting that our analysis has a distinct advantage over the related empirical literature on support for K-12 school funding. Specifically, as Figlio and Fletcher (2012) note, if individuals sort across communities based on their demand for public services, as suggested by Tiebout (1956), the share of elderly in a school district is likely to be endogenous making it difficult to disentangle the effect of the age distribution on support for education funding from that of dynamic Tiebout sorting. Furthermore, a large literature suggests that the racial composition of a school district influences the residential location decisions of households, implying that the racial/ethnic composition of a school district may also be endogenous.[3] In the current setting, however, concerns over the endogenous nature of the age distribution (racial composition) due to dynamic Tiebout sorting (racial/ethnic sorting) are significantly reduced since the public service we examine, higher education funding, is provided at a much higher level of spatial aggregation thus limiting the ability of older and younger voters (whites and nonwhites) to differentially sort across service areas.[4]

It is also worth noting that a priori the relationship between the age distribution and support for public higher education spending is ambiguous. On the one hand, older voters without children or those with children that have already graduated from college may have weaker preferences for education spending. On the other hand, the elderly may exhibit intergenerational altruism and/or reciprocity (Poterba, 1997; Ladd and Murray, 2001) or recognize that having a well-educated and productive future workforce will directly benefit them by preserving the tax base necessary to finance programs that support the elderly in the future (Richman and Stagner, 1986; Ladd and Murray, 2001; Gradstein and Kaganovich, 2004). Altruistic tendencies, reciprocity and a desire to maintain a productive future workforce may also induce older white voters to support higher education funding even when the college-age population is more heavily nonwhite. Consistent with that notion, Pager and Freese (2006) find in an experimental context that white respondents are more willing to support government job training and placement programs for laid-off black workers than for laid-off white workers. Similarly, older white voters may believe that enhancing the educational opportunities of disadvantage youth will reduce crime, and thus be more inclined to support higher education funding when the college-age population is more heavily nonwhite.[5]

We find that older voters are significantly less supportive of higher education funding than younger voters. We also find that support for higher education funding among older non-Hispanic white voters is particularly weak when those voters reside in a jurisdiction where the college-age population is more heavily Hispanic, an effect that is absent for older nonwhite voters. In contrast, we find no evidence that the share of the college-age population that is either Asian or Black affects the voting behavior of older white voters, although our standard errors are too large to rule out the possibility that the share Black has a large negative effect on the voting behavior of older white voters that is similar in magnitude to the share Hispanic. These results hold both for our analysis of individual survey data and our analysis of actual vote tallies from local community college bond elections.

To address concerns that our results may be driven by some unobserved factor that is correlated with both the share college-age Hispanic and the differential level of support among older and younger voters for higher education funding, we conduct a series of falsification tests. Specifically, we estimate models based on specifications that are nearly identical to our main specification except the dependent variable is an indicator for whether a respondent planned on voting yes or no on one of 27 statewide propositions held in California between 2006 and 2012 that were not directly related to education funding.[6] In contrast to our core results, for 26 of the 27 statewide propositions (96%), we find no relationship between the voting behavior of older white voters and the share of the college-age population that is Hispanic.

In the final section of the paper we explore potential mechanisms behind our results. Our finding that older white voters appear to respond most strongly to the share of college-age Hispanics in their jurisdiction, suggests that one explanation for our results may be related to immigration. Specifically, the vast majority of immigrants in California are Hispanic and thus our results may be capturing reluctance on the part of older non-Hispanic whites to support public services that they perceive as benefiting mainly immigrants.[7] However, our core results are robust to specifications where we also include controls for the share of undocumented immigrants or the share of Hispanic, foreign-born non-citizens within a county. Our results are also robust to specifications where we include controls for *changes* in the share of college-age Hispanics within a county between 1980 and 2007 or between 1990 and 2007.

Collectively our results provide new evidence that the growing gap between the racial and ethnic composition of older and younger generations is likely to lead to increased tension over the level and

[3] Recent examples include: Cascio and Lewis (2012), Boustan (2012), Baum-Snow and Lutz (2011) and Lankford and Wyckoff (2006).

[4] For example, California, which is the focus of our empirical work, contains over 1000 school districts but only 72 community college districts and 2 statewide university systems (California State University and the University of California).

[5] Consistent with that notion, Fong (2001) finds that concerns over controlling crime positively affect support for redistribution.

[6] The data for these falsification tests comes from 24 surveys administered by the PPIC between 2006 and 2012.

[7] For recent evidence on how immigration affects native support for redistributive policies see: Speciale (2012), Dahlberg et al., (2012) and Gerdes (2011).