



STATE HIGHER EDUCATION EXECUTIVE OFFICERS

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SHEEO RELEASES

STATE HIGHER EDUCATION FINANCE FY 2007

Continuing a recovery which began in 2006, per student state and local support to higher education in FY 2007 grew 3.6 percent faster than inflation and enrollment growth. Current state finance outlook suggests sustaining the recovery will be difficult in fiscal year 2009.

Boulder, Colorado – In FY 2007 state and local funding for higher education totaled \$83.5 billion, a 7.7% increase, according to an annual study of the national association of state higher education executives. For the second consecutive year, state and local support for public colleges and universities outpaced the combined increase in enrollment (0.7 percent) and inflation (3.3 percent) as measured by the Higher Education Cost Adjustment. After taking enrollment growth and inflation into account, per student state and local appropriations for education in public colleges and universities grew to \$6,771, an increase of 3.6 percent in constant dollars above FY 2006.

Details of this annual “barometer” of higher education financing include the following:

The high point for state and local funding was in fiscal year 2001, when per student support reached \$7,621 in constant 2007 dollars. By FY 2004, however, state and local funding per student fell to the lowest level in 25 years (\$6,287) largely because enrollment and inflation grew much faster than increases in public funding from 2001 to 2004.

State and local support grew by 2.4 percent in 2005, but this increase was largely offset by the combined effects of enrollment growth and inflation. In 2006 and 2007, however, slower enrollment growth and larger increases in state and local funding yielded two years of gains in per student constant dollar support, up 3.7 percent in 2006 and 3.6 percent in 2007.

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Both tuition rates and net tuition revenues tend to grow rapidly when state and local support lags behind inflation and enrollment growth. The percentage of total educational revenues derived from tuition hovered around 30% during the 1990s, but it grew quite rapidly to over 36% during the 2001 to 2005 period because tuition rates grew and state and local support simultaneously declined. Net tuition is still growing in constant dollars, but it has stabilized at about 37% of total educational revenues since 2005.

Total educational revenue, the combination of net tuition revenue plus state and local support, is now at \$10,682 per FTE student, near the long term average over the past twenty-five years. "Total educational revenue" excludes research, agricultural extension services, and medical education, which together accounted for 14.0 percent of all state and local higher education spending in fiscal year 2007.

E. Joseph Savoie, Chair of SHEEO's Executive Committee and Commissioner of Higher Education in Louisiana, observes, "The 2007 State Higher Education Finance study reflects a broad recognition in the states that more public funding is essential for increasing educational attainment and achieving greater economic payoff from higher education. We appreciate the vote of confidence, and we are committed to achieving the results necessary to sustain that confidence."

SHEEO President Paul Lingenfelter comments, "Persistent enrollment growth and the resiliency of state and local funding underscore the importance of higher education to students and to states. Strengthening higher education is a clear national priority.

"But national averages obscure important state-level differences," Lingenfelter observed. "States vary, sometimes substantially, in public funding, tuition, enrollment growth, and the rate and direction of change on these key variables. The detailed study documents these differences and provides useful information for state and national leaders working to address educational priorities."

Over the past 35 years, state support per FTE in higher education has declined during every recession and recovered shortly afterward. Fiscal year 2008 enrollment and local funding data are not yet available, but the Illinois State University *Grapevine* Survey found 2008 state tax appropriations to higher education increased 7.5 percent over 2007, indications of another strong year of support.

"Strong 2008 appropriations will build on the recovery documented in FY 2007," Savoie said, "but current economic indicators do not give much room for optimism about state and local resources in the coming fiscal year 2009. Both educators and state policymakers are likely to face some tough choices."

Lingenfelter added, "Our colleges and universities must reach higher levels of effectiveness and productivity in order to help Americans compete effectively in a knowledge economy. In the long run, their success depends also on the capacity of the states to stabilize and sustain financial support."

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The State Higher Education Executive Officers, the national association of the chief executives of statewide governing boards and coordinating boards of postsecondary education, works to assist its members and the states in developing and sustaining excellent systems of higher education.

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