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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 3.9 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 fiscal year 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 \$6,773, an increase of 3.9 percent in constant dollars above fiscal year 2006.

Recent trends for this annual “barometer” of higher education financing are:

The high point for state and local funding was in fiscal year 2000, when per student support reached \$7,595 in constant 2007 dollars. By fiscal year 2005, however, state and local funding per student fell to the lowest level in 25 years (\$6,204) largely because enrollment and inflation grew much faster than increases in public funding from 2001 to 2005. In 2006 and 2007, however, slower enrollment growth and larger increases in state and local funding yielded gains in per student constant dollar support, up 5.0 percent in 2006 and 3.9 percent in 2007.

Over the last 5 years, per student educational appropriations increased in 15 of the 50 states. The degree of change in educational appropriations varied from a 26.1 percent decrease in Colorado to a 28.6 percent increase in Wyoming. The change in more than half of the states was clustered within ten percentage points of the national mean (-7.7 percent).

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 revenue 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 36% of total educational revenue since 2005.

Only 21 states, including several large states, are below the national average of 36.2 percent for the proportion of revenue derived from tuition. The states vary widely in the percent of educational revenue supported by net tuition, from a low of 11.5 percent in New Mexico to a high of 79.3 percent in Vermont. Twenty-nine states are above the national average in the proportion of educational revenue from tuition sources.

Total educational revenue, the combination of net tuition revenue plus state and local support, is now at \$10,618 per FTE student, near the long-term average over the past 25 years. "Total educational revenue" excludes research, agricultural extension services, and medical education, which together accounted for 12 percent of all state and local higher education spending in fiscal year 2007.

Total educational revenue per FTE (which includes net tuition revenue) declined 1.2 percent on average between 2002 and 2007. Slightly more than half of the states experienced growth in this measure, however, led by Alabama with 36.9 percent growth in total educational revenue per FTE over the past five years.

Reginald L. Robinson, Chair of SHEEO's Executive Committee and President of the Kansas Board of Regents, observes, "The 2007 State Higher Education Finance study reflects a broad recognition in the states that more public funding is essential for achieving greater 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. This is a clear national priority.

"But national averages obscure important state-level differences," Lingenfelter observed. "States vary substantially in public funding, tuition, enrollment growth, and the rate and direction of change on these key variables. This 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, which indicates another strong year of support.

"Strong 2008 appropriations will build on the recovery documented in FY 2007," Robinson 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, “The global knowledge economy is demanding more from American workers and more from our colleges and universities. Both must reach higher levels of effectiveness and productivity. But in the long run the success of American workers and our economy also depends on the capacity of the states to sustain and increase their financial support for instruction and student assistance.”

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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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