



## STATE HIGHER EDUCATION EXECUTIVE OFFICERS

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### FOR IMMEDIATE RELEASE

Date: February 9, 2009

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### *Recession Prematurely Ending Higher Education Financial Recovery*

*Per student state and local support to higher education grew between 2006 and 2008, but only partially recovered from a dramatic decline between 2001 and 2005. Budget reductions during the current year and projected for 2010 are likely to produce enrollment caps and higher tuition increases.*

**Boulder, Colorado** – According to an annual study of the national association of state higher education executive officers (SHEEO), the current recession is likely to renew and intensify a long term trend of declining state support and higher tuition and fees for students in public colleges and universities.

“Despite progress over the past three years, per student state and local support for public higher education has only recovered about half of the funding lost during the sharp downturn from 2002 to 2005,” noted Paul Lingenfelter, president of SHEEO. “All the signs in the current recession point toward further decline, renewing and accelerating the long term trend for public higher education to become more expensive for students and their families.”

Recessions tend to be particularly harsh on public higher education and on its students. The data for the past 20 years clearly outline the pattern and its consequences. Constant dollar state support per student fell by 13 percent from 1988 to 1993, two recessions ago. (All financial comparisons are in 2008 dollars.) During that period, tuition jumped from 25 percent to 30 percent of total revenues. In the late 1990s, state support recovered and the rate of annual tuition increases slowed down, but tuition remained near 30 percent of total revenues.

State support per student fell again by 18 percent from 2001 to 2005, reflecting recession-driven state budget cuts and steep enrollment increases. By 2008 total revenues per student for public colleges and universities returned to 1998 levels, but students paid a larger portion (36 percent) of the cost. Despite several years of “recovery,” constant dollar state support per student decreased 7 percent since 1998, while tuition revenue per student increased 20 percent. Spending per student adjusted for inflation remained essentially the same, but the states contributed \$514 less and students and their families picked up the difference.

While recent progress helped keep annual tuition increases close to inflation from 2005 to 2008, leading indicators now point to a decline in state support and further pressure on tuition. The FY 2009

appropriations initially approved by the states increased by only 1 percent. Many states have reduced those appropriations in midyear. Reggie Robinson, Chair of SHEEO's Executive Committee and President and CEO of the Kansas Board of Regents, observed, "Current economic indicators are confronting educators and state policymakers with tough choices. Enrollments continue to grow, appropriations for 2009 have been reduced below 2008 levels in some states, and further cutbacks for 2010 are under discussion virtually everywhere."

In 1999, based on a study of the 1980s and 1990s, Harold A. Hovey wrote that higher education tends to be the "balance wheel" in state appropriations, the public function most likely to bear a disproportionate share of state budget reductions in recessions. This tendency seemed to be based more on the ability of higher education to raise tuition and fees, than on any decrease in its value or enrollment demand.

SHEEO's annual studies of higher education finance have shown that state support tends to recover after recessions, but the recoveries have not been strong enough or sustained enough to change the fundamental trend shifting more of the cost to students and families.

Lingenfelter commented, "Both tuition increases and the volatility of funding for public higher education make it more difficult for higher education to meet public needs and expectations for a better educated workforce. The proposed state fiscal stabilization grants passed by the House of Representatives would significantly help prevent or mitigate further erosion of public support for higher education until the economy recovers. Once states are in a recession, governors and legislatures have no good options for stimulating their economies and protecting essential services."

Reflecting on this situation, Robinson observed, "Sustained enrollment growth from 7.4 million to 10.4 million FTE students over the past twenty years underscores the growing importance of public higher education to the American people and our economy. Even higher rates of participation and better rates of student success are needed to help Americans compete in a knowledge economy. Our colleges and universities are stepping up to this challenge, but in the long run their success will depend both on their dedication and on the capacity and willingness 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.**

Supplemental Information to FY 2008 State Higher Education Finance (SHEF)

**Preliminary State Outlook for FY 2009 and FY 2010**

On February 4, 2009, the State Higher Education Executive Officers (SHEEO) surveyed its members to provide some insight into the current state of affairs for higher education enrollment and funding in FY 2009 and FY 2010. Please note that these are preliminary results and are subject to change.

Percent of states responding to the following:

<b>Fall 2008 Enrollment Compared to 2007 Level</b>		
<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>Unavailable</u></b>
87%	9%	4%

<b>Midyear Budget Cuts to Higher Education (2009)</b>	
<b><u>Yes</u></b>	<b><u>No</u></b>
65%	35%

<b>Higher Education Funding in Governors' FY2010 Budget Compared to FY2009 Level</b>			
<b><u>Higher</u></b>	<b><u>Lower</u></b>	<b><u>Same</u></b>	<b><u>Not Yet Released</u></b>
35%	35%	9%	22%

Note: As of February 9, 2009, 23 states had responded to the survey questions.

Source: SHEEO, Query of SHEEO members, 02-04-2009.