

# Financing Higher Education: An Annual Report from the States

Mary P. McKeown-Moak

"It was the best of times; it was the worst of times."

Charles Dickens, *A Tale of Two Cities*

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## Foreword

The report which follows on financing higher education is the first in a new annual series that summarizes major financing trends. Produced in cooperation with MGT of America, the report draws upon several national data sources including reports of state appropriations by Edward Hines at Illinois State University, the American Association of State Colleges and Universities, and the College Board. In addition, author Mary McKeown-Moak conducted a survey of state higher education finance officers in December 1998 to gather data on recent legislative actions and plans for 1999. The electronic version of this report, which is available on the SHEEO website ([www.sheeo.org](http://www.sheeo.org)), includes hot links to many of the data sources cited.

There is much to be proud of and satisfied with in this annual report. State appropriations are at an all-time high and significantly outpacing the rate of inflation. Financial aid support is up as well, including the extraordinary multi-billion dollar federal tax credits now available to middle-income families. Apparently, even higher education's long-term decline as a percentage of state budgets has halted, at least momentarily.

At the same time there are significant challenges to state policy makers and institutions in the upcoming legislative sessions. Calls for accountability persist, as reflected in the continuing interest in performance funding. Student debt levels continue to grow and while institutions welcome new federal tax credits, they worry about the added costs of compliance and record-keeping. Merit-based aid programs, which often resemble broad-based entitlement programs, may well backfire, if not now then during the next economic downturn.

On behalf of the membership of SHEEO I extend a special thank you to author Mary McKeown-Moak and to MGT for their work on this project. As always, we welcome reader comments and suggestions for improvement.

James Mingle  
Executive Director

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# **Financing Higher Education: An Annual Report from the States Highlights**

- **State Appropriations to higher education reached \$52.8 billion in FY99, an increase of 6.5 percent over the previous year and the largest total ever appropriated.**
- **State appropriations increased four times as fast as the Consumer Price Index over the past two years (13.3 percent compared to 2.7 percent).**
- **Higher education's share of state general fund budgets increased for the first time in over a decade from 12.09 percent in FY98 to 12.11 percent in FY99.**
- **Appropriations per FTES have made a real recovery since 1993 and now have returned to their 1978 levels (in constant dollars)**
- **Undergraduate resident tuition and fees at public universities and community colleges rose 4.2 percent in 1998-99. Room and board charges rose by 3.9 percent.**
- **Average public four-year in-state tuition rose 53 percent in constant dollars from FY89 to FY99, while median income has risen only 12 percent since 1981.**
- **In academic year 1998, an estimated total of \$60.5 billion in student financial aid was awarded students attending postsecondary institutions, an increase of 6 percent over 1997 after adjusting for inflation.**
- **The Taxpayer Relief Act of 1997 is estimated to provide \$12-\$15 billion in credits each year when fully phased in by 2002.**
- **During the 1998 legislative sessions, 12 states adopted some form of merit-based scholarship program, in many cases modeled on the Georgia Hope Scholarship.**
- **In a survey of state higher education finance officers, over half reported that colleges and universities are constrained by state policy to limit increases in tuition.**
- **By 1998, 34 states had adopted some form of performance budgeting or performance funding.**
- **A third of all states foresee limitations on tuition increases and/or increased appropriations to offset freezes or reductions in the rate of increase in tuition.**
- **Over 40 percent of the states expect performance funding to be on 1999 legislative agendas, while one-fourth expect to examine faculty workload and productivity. Other major issues cited include technology funding and economic development initiatives.**

# Financing Higher Education: An Annual Report from the States

Times, apparently, couldn't be better. State appropriations to higher education reached \$52.8 billion in FY1999, an increase of 6.5 percent over FY1998<sup>1</sup>, and the largest total ever appropriated by states for higher education. Total state general fund appropriations for all government services increased by 8.7 percent over FY1998; over half the states held large budget surpluses at the end of 1998, and are projected to have over \$31 billion in fund balances at the end of FY1999.<sup>2</sup> College and university presidents and chancellors report that their state's fiscal condition will be even better a year from now.<sup>3</sup> In addition, the Taxpayer Relief Act of 1997 provided new federal tax credits including the Hope Scholarship Tax Credit and other incentives that are expected to provide billions of new dollars to students to offset the costs of higher education. Nationally, such positive economic conditions for higher education have not existed during the last two decades.

At the same time, higher education officials are preparing for reductions in appropriations and increases in the use of performance measures and other accountability requirements during 1999 legislative sessions. Tuition levels are perceived to have reached such heights that a federal Commission on the Cost of Higher Education studied this problem, and several states have frozen tuition at public universities. Average levels of student indebtedness at graduation have increased alarmingly and loans have become the predominant form of student financial aid, even for the neediest students. The reporting requirements of the Taxpayer Relief Act of 1997 are projected to cost colleges and universities millions of dollars.<sup>4</sup> Even in the face of historic levels of new support, the American Association of State Colleges and Universities (AASCU) released a statement calling for increased state and federal support for public higher education, claiming that American higher education is at a "crossroads, threatened by the erosion of state and federal support," where "the accessibility and quality of public colleges and universities are now under challenge."<sup>5</sup>

Affordability, accountability and performance-based funding, and teacher education have been called the three top issues facing higher education on state legislative agendas in 1999.<sup>6</sup> When combined with increasing competition for state resources, shifts in the balance of power in legislatures as a result of term limits, tax reductions and rebates, faculty issues, remedial education, and restructuring of the governance of higher education, 1999 promises to be an interesting legislative year for higher education officials.

## *State Appropriations*

FY1999 state appropriations for higher education reached the highest levels ever, according to data collected in the annual survey of State Higher Education Finance Officers conducted for *Grapevine*. Total state appropriations for FY1999 totaled \$52.8 billion, an increase of \$3.2 billion or 6.5 percent, over FY1998; and a \$6.2 billion, or 13.3 percent increase over FY1997. (See Exhibit 1 at the end of the report.) Data are presented for two years because many states have biennial budgets, in which large appropriations occur in the first year of the biennium, with no or small increases in the second year.<sup>7</sup> Only three states (Hawaii, Nevada, and Texas) reported reductions in state appropriations for higher education for FY1999 over FY1998, but both Nevada and Texas are in the second year of biennial budgets and had substantial two-year increases.

Over the two-year period FY1997 to FY1999, Alaska, Hawaii, and South Carolina reported declines in total state appropriations for the support of higher education. Higher education in Alaska did better in terms of appropriations decreases than the Alaska state budget as a whole, which declined a total of 4.3 percent over the two years. Alaska continues to suffer from downturns in the oil industry and long-range forecasts for state revenues are not positive, while Hawaii is in the midst of a recession in tourism, the state's primary product. In South Carolina, legislators appear unwilling to commit additional revenues until the system of performance funding of higher education is fully operational. These three states are the only ones where appropriations for higher education did not keep pace with increases in the Consumer Price Index over the two-year time period FY1997 to FY1999.

When compared to increases in the Consumer Price Index (CPI),<sup>8</sup> over the time period FY1997 to FY1999, state appropriations to higher education have increased over four times as fast as the CPI, 13.3 percent compared to 2.7 percent. Over the ten years between FY1989 and FY1999, state appropriations to higher education increased 43.4 percent, slightly greater than the CPI increase of 34.7 percent.

States where increases in higher education funding were the greatest over the two years (California, Florida, Kentucky, Massachusetts, and Virginia) had two-year increases greater than 20 percent. In some cases this was due to increases in enrollment; in others, the increase can be attributed to major restructuring of the governance of higher education.

Many states are earmarking increases in appropriations for moderation of tuition increases, economic development activities, student financial aid, community colleges, and one-time expenditures such as construction, deferred maintenance and technology initiatives. The focus on one-time spending increases may reflect a desire to avoid over-commitment of resources that led to reversions and budget cuts during the 1980s and early 1990s.<sup>9</sup>

At the national level, states appear to be benefiting from the strongest economic conditions in the last thirty years. Total state general fund budgets increased 8.7 percent in FY1999 over FY1998, and 14.4 percent over FY1997. (See Exhibit 1 at the end of the report.) Almost every state reported a surplus for FY1998 and project continued surpluses for FY1999. However, FY1999 surpluses are over \$5 billion less than FY1998, due in large part to cautious spending patterns and tax rebates, reductions, and eliminations.<sup>10</sup> Almost all states provided employee compensation increases for FY1999, including increases for university employees.

Increases in appropriations for higher education were not as large as increases in total state general fund budgets. ***However, in FY1999, higher education's share of state general fund budgets increased for the first time in over a decade, from 12.09 percent in FY1998 to 12.11 percent in FY1999.***<sup>11</sup> In FY1987, higher education was allocated 15.5 percent of state general fund budgets. Higher education's share dropped to 12.9 percent in FY1997 and to 12.09 percent in FY1998, before increasing, albeit a very small increase, in FY1999. Caution must be exercised in interpretation of this shift, however, because it may be due to an anomaly in reporting state expenditures. State general fund budgets as reported by NASBO reflect tax rebates and reductions, and include budget surpluses as well as expenditures. Nevertheless, the small increase in higher education's share of state budgets may be interpreted as a positive signal for the future of higher education.

### ***Enrollment Trends***

Nationally, between 1989 and 1992 enrollment increased at public colleges and universities. During this time the national economy was in a period of relatively high unemployment, and

state budgets experienced difficulty. Between 1992 and 1997, the latest year for which data are available, enrollment declined at public colleges and universities. During this time, the national economy was in an upturn, with low unemployment rates and fatter state budgets. Generally speaking, when unemployment rates are high, college enrollment increases and when unemployment rates are low, college enrollment decreases. Regionally, between 1992 and 1997 enrollment patterns varied. In the northeast, midwest and far west, enrollment declined while enrollment increased in the Rocky Mountain states and southeast.<sup>12</sup>

It might be expected that states having the greatest increases in enrollments would have the largest increases in state appropriations. However, there is no clear pattern to the relationship between state appropriation changes and changes in enrollments. Declining state appropriations from FY1997 to FY1999 in Alaska, Hawaii, and South Carolina do not appear to be connected to a decline in enrollment. In fact, the opposite is the case. Similarly, large increases over the two years in Kentucky and Virginia are not associated with large increases in enrollments.

Since 1993, state appropriations per full-time equivalent student (FTES) have increased both in actual dollars and in constant dollars, according to data from Research Associates of Washington. In the 15 years between 1978 and 1993, state appropriations per FTES fell by more than 10 percent in 24 states. However, there has been real recovery since 1993, and by 1998 appropriations per FTES were equivalent to 1978 appropriations (in constant dollars).<sup>13</sup>

### ***Pricing and Financial Aid Trends***

Undergraduate resident tuition and fees at public universities and community colleges rose 4.2 percent in 1998-99, increasing from \$3,111 to \$3,243 at four-year public universities, and from \$1,567 to \$1,633 at two-year public colleges.<sup>14</sup> (See Exhibit 2.) Non-resident undergraduate tuition and fees in 1998-99 at community colleges averaged \$4,729 and \$8,471 at public four-year colleges and universities. Room and board charges at four-year public college and universities increased 3.9 percent, from \$4,358 to \$4,530. Tuition and fees tend to be higher in the northeast and midwest, and lower than average in the south and west.

Total cost of attendance (COA) at a public four-year college or university typically would cost \$10,458 for an undergraduate in-state student who lived on campus, and \$8,505 for a commuter student. At two-year public colleges, the typical cost of attendance for an in-state student during 1998-99 would be \$6,445.

**Exhibit 2**  
**Average College and University Prices**  
**1998-99**

	<b>Two-year Public Colleges</b>	<b>Four-year Public Colleges</b>
In-State Tuition and Fees, 1998-99	\$1,587	\$3,163
Tuition and Fees, 1997-98	\$1,528	\$3,042
Percent change	4.2%	4.2%
Room and Board 1998-99	\$2,039	\$4,324
Room and Board 1997-98	N/A	N/A
Percent Change	N/A	4.1%
Books and Supplies	\$624	\$662
Transportation, Commuter	\$978	\$1,011
Transportation, Resident	\$1,171	\$612
Other Expenses		\$1,411
	\$6,445	\$10,458
Total Budget 1998-99		\$8,505
Resident		
Commuter		

*Source: The College Board, Trends in College Pricing 1999*

Average public four-year in-state tuition rose 105 percent in current dollars or 53 percent in constant dollars over the time period FY1989 to FY1999. Similarly, average public two-year in-state tuition rose 104 percent in current dollars and 52 percent in constant dollars over the same time. In contrast, median family income has risen only 12 percent since 1981, and the average cost of attendance (at public four-year colleges) as a share of family income has increased significantly for low and middle income families.<sup>15</sup> For families whose income is in the lowest fifth of the distribution, average cost of attendance has increased from 40 to 62 percent of family income; and for families who are in the middle quintile, the COA increased from 12 to 17 percent of income.

The cost of attendance or price of higher education received significant public scrutiny when Congress appointed the National Commission on the Cost of Higher Education. The Commission released its final report, *Straight Talk About College Costs and Prices*,<sup>16</sup> in January 1998. The Commission addressed public anxiety about college prices that have risen 400 percent since 1976. Following the release of the report, legislatures in about one-half of the states considered tuition issues during 1998 sessions or are expected to consider the issue during 1999 sessions.<sup>17</sup>

Legislatures in Colorado, Indiana, Maine, New Jersey (for community colleges), Virginia, and Washington discussed tuition freezes or reductions in the rate of increase, offset by increases in appropriations.

In addition to scrutiny in state legislatures, the Commission's report is credited with being the impetus for changes in the Higher Education Act, which Congress re-authorized in October 1998. Beginning with academic year 2001 colleges and universities will be required to report data on college costs, using standardized definitions for tuition and fees and the cost of attendance. Additionally, a national longitudinal study of college and university expenditures will provide trend information on tuition and fees compared to the Consumer Price Index, and financial aid. Colleges and universities that do not report the required information will be subject to a \$25,000 fine.

In academic year 1998, an estimated total of \$60.5 billion in student financial aid was awarded to students attending postsecondary institutions, an increase of 6 percent over 1997 after adjusting for inflation. The federal government provided over 70 percent of total aid, and over 60 percent of total aid was awarded as loans. (See Exhibit 3.)<sup>18</sup> Not included in the totals are student wages that are not a part of work-study programs, or any of the new federal tuition credits created by the Taxpayer Relief Act of 1997. These benefits will take effect for tax year 1998, and have been estimated to provide \$12 to \$15 billion in credits each year when fully phased in by 2002.

Over the last ten years, aid increased about 80 percent in constant dollars although increases in loan programs accounted for over 65 percent of the increase. Loans from all sources comprised more than 60 percent of all aid, compared to 45 percent in 1988. The greatest increases have occurred in the unsubsidized loan program that comprises 35 percent of all federal student loans. Average indebtedness at graduation has increased to alarming levels.

State grant funding increased by over 60 percent in constant dollars over the past ten years, but still comprises only 5.5 percent of total student aid. Although institutional aid has doubled since 1988, available grant aid has not offset relative declines in federal grants, nor has total aid increased as fast as increases in the cost of attendance. As a result, the cost of attendance consumes a greater share of personal income.

Enactment of the Taxpayer Relief Act of 1997 (TRA97) provided new federal "student aid" through the use of income tax credits, savings incentives, and limited deductibility for interest paid on student loans. These programs are projected to cost about as much as all other existing federal financial aid programs combined, and represent a significant shift in how the federal government provides funding for higher education.<sup>19</sup> The new credits are not need-based, represent revenue foregone rather than expenditures, and will benefit primarily middle and upper-middle income students and their families. Lower income students who owe no federal taxes will not benefit, and those students whose family tax bill is less than the credit will receive partial benefits.

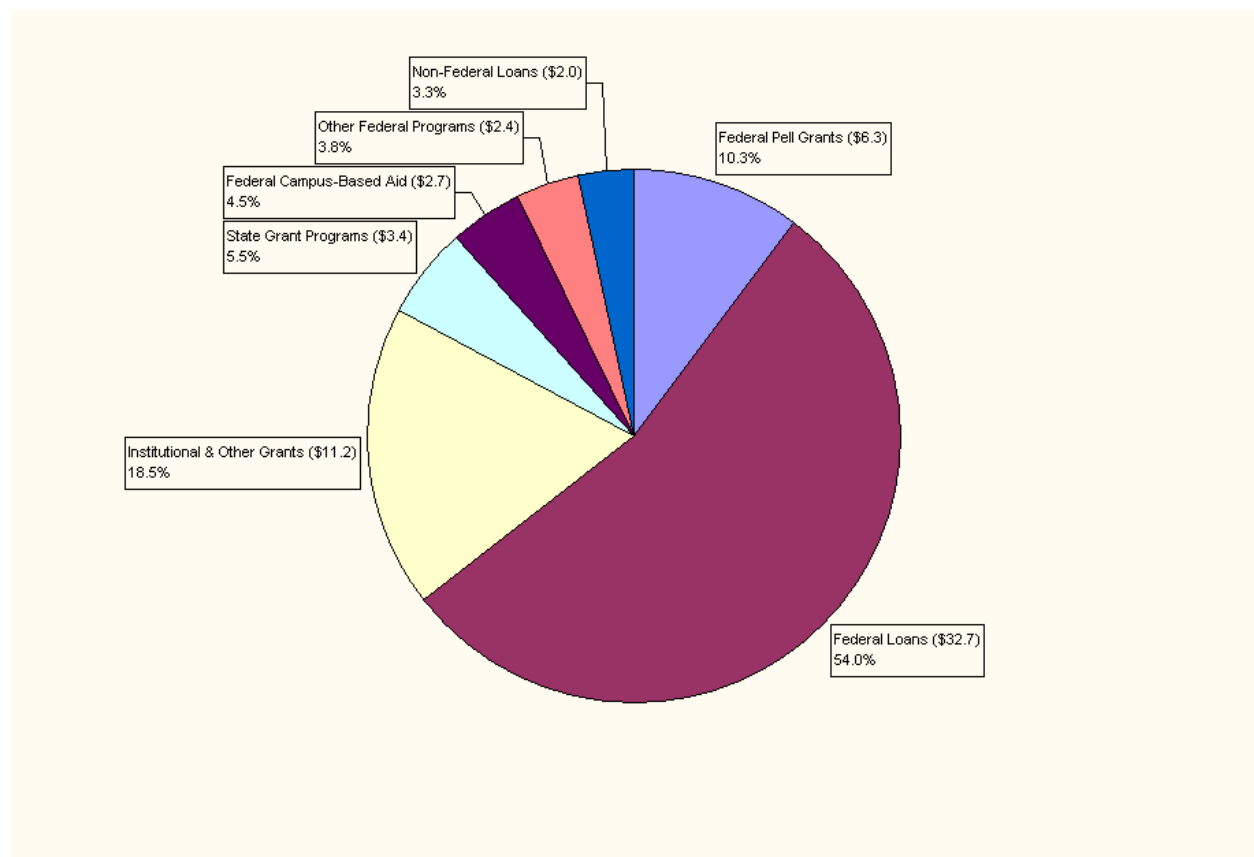
The Taxpayer Relief Act, including the Hope Scholarship and Life Long Learning Tax Credits, appears to have contributed to the debate over tuition increases. State legislators questioned whether the tax credits and increases in federal financial aid created incentives for public

colleges and universities to raise tuition and fees.<sup>20</sup> During 1998 legislative sessions, about 20 percent of the states discussed methods of reducing state costs by lowering appropriations, increasing tuition, or reducing student financial aid to capture the revenues from the tax credits. Continued debate is likely as the revenue implications of TRA97 become clearer.

Reporting requirements related to the Act may be considered onerous for colleges and universities. Each college or university was required to send by February 1, 1999 a tax form to individuals who paid for credit courses during 1998. The cost of getting the forms out, and providing assistance to students and their parents who are likely to call with questions, is estimated to exceed \$100 million this year, according to a survey by the National Association of College and University Business Officers.<sup>21</sup> This cost is likely to place a strain on college and university budgets as an unfunded federal mandate.

**Exhibit 3**  
**Estimated Student Aid by Source FY1998**  
**Total Aid Awarded: \$60.5**

(Dollars in Billions)



*Source: The College Board, Trends In Student Aid 1998*

During 1998 legislative sessions, 12 states adopted some merit-based scholarship program, copying the Georgia Hope Scholarship in some cases. New programs were started in Kentucky, Maryland, Missouri, Mississippi, and Alaska. Tuition savings plans were added in Maine and Oklahoma. The focus on affordability of higher education appears likely to continue in 1999 legislative sessions.

Since 1981 current fund revenues of public higher education institutions have experienced a shift in the proportions of revenues from state appropriations and tuition. In 1981 state appropriations contributed about 44 percent of total revenues at public four-year institutions, and tuition made up 12.9 percent of revenues. In 1995, the latest year for which data are available, state appropriations' share declined to 33 percent, while tuition's share of current revenues had climbed to 18.4 percent.<sup>22</sup> It appears that universities, especially research universities, are becoming state-aided instead of state-funded. The trend of placing more of the financial burden for the cost of higher education on students instead of on the state is troubling, especially in light of the increasing reliance on unsubsidized loans as the main form of student financial aid, even for the most needy students.

It is unclear how tying state appropriations increases to freezes or reductions in the rate of increase of tuition will effect institutional revenues. Over half of the states reported that colleges and universities are constrained by state policy to limited increases in tuition. In Massachusetts, Colorado, Virginia, and Indiana, for example, increases in state appropriations were linked to an agreement to freeze or reduce tuition. In other states, tuition increases cannot exceed the increase in the CPI or Higher Education Price Index (HEPI).<sup>23</sup> In the short run, institutional budgets should not be negatively effected; however, when the economy experiences a downturn, freezes on tuition increases coupled with little or no increase in state appropriations will require reductions in services or quality or an increase in productivity.

### ***Governance Changes and Performance Funding Prevail as Important Issues***

During the 1990s, nine states fundamentally changed their higher education governance structures, and at least 20 other states studied and debated the issue.<sup>24</sup> About one-quarter of the states reported significant governance changes in 1998 affecting issues of increased budget or management flexibility to be able to deal with financial changes more effectively. For at least three of these states (Kentucky, Massachusetts, and Virginia) changes in governance appear to have resulted in significant increases in state appropriations as legislators and governors may have had more confidence in the ability of higher education to serve the state's needs.

Many of the states discussed additional flexibility as a trade-off to performance funding. The National Association of State Budget Officers has called performance-based budgeting and funding the most significant trend in state budgeting.<sup>25</sup> In 1998, 34 states either had adopted performance budgeting or performance funding for public institutions.<sup>26</sup> South Carolina is the only state where the majority of state appropriations are allocated by performance funding; in most other states, no more than five percent of the appropriation is allocated by performance indicators. Burke and Serban contend that these funding programs represent a significant shift in funding priorities from what states should do for higher education to what higher education should do for the state and its citizens.

### *Emerging Issues in 1999 Legislative Sessions*

As the national economy continues to boom, there appears to be cautious optimism among higher education officials that funding will increase and greater autonomy will result from 1999 legislative sessions. This unbridled optimism was reflected in the January 1999 *Chronicle* survey of higher education leaders who expect that FY2000 appropriations for higher education will increase 12 percent on average at four-year institutions and over 21 percent at two-year colleges.<sup>27</sup>

However, the economy appears to be slowing as the rate of growth in the Gross Domestic Product (GDP) has moderated. Inflation likely will continue to be in check, which may put pressure on unemployment rates.<sup>28</sup> Tax cuts are likely to continue, and states are maintaining high budget balances and reducing increases in expenditures to protect against downturns in the economy and midyear reversions or reductions of the kind that occurred in the 1980s and early 1990s.

Protection of base budgets is an issue that will be discussed in several state legislatures this spring. In California, legislators will consider a bill that guarantees that appropriations for the University of California and California State University will increase at least at the rate of increase in the CPI, and will not be raided if the economy enters a period of downturn.<sup>29</sup> Higher education in New York, Vermont, and Virginia also will seek assurances of increases in state appropriations over multiple years.

Institutions in a third of the states foresee limitations on tuition increases and/or increased appropriations to offset freezes or reductions in the rate of increase in tuition and fees.<sup>30</sup> Tax cuts and other reductions in state revenues as well as competition from elementary/secondary education and other components of state budgets are likely to place pressures on continued increases in appropriations for higher education.

Performance funding and accountability issues, in some places centered on faculty productivity, are likely to be one focus of legislative discussions. Over half the states are studying some form of performance measurement, and 40 percent report that performance funding will be on legislative agendas.<sup>31</sup> More than one-fourth of the states are examining faculty workload and productivity as a means of improving learning outcomes or decreasing expenditures.

One-time funding (for technology or for capital improvements/deferred maintenance) was cited as an interest of legislators in over 50 percent of the states.<sup>32</sup> Legislators may be more willing to provide a large influx of funds to provide the technological improvements needed for distance education or to repair and construct campus facilities because one-time funds do not require continuing commitments of funds into the next millennium. This continues the interest in capital or facilities funding demonstrated in 1998 legislative sessions when nearly one-third of the states focused resources on facilities. In New York and California multi-billion dollar programs were introduced to fund major facilities projects.

Higher education officials in Colorado, Connecticut and Illinois are connecting FY2000 requests for one-time investments in technology to economic development activities. Officials in more

than 40 percent of the states predict that economic development will be a major focus in the legislative session.

Maintaining college access and affordability also appears to be a major issue on legislative agendas. Following the success of Georgia's Hope Scholarship Program funded by a lottery, governors in Alabama, South Carolina, North Carolina, and Tennessee are proponents of lotteries to expand student financial aid programs. Officials in Alaska, Arkansas, Idaho, Maryland, New Hampshire, New York, Oklahoma, and Texas are requesting changes and expansions of financial aid programs to increase access and make college more affordable.

Although teacher education was cited as one of the three most pressing issues for higher education in state legislatures this year<sup>33</sup>, only six states indicated teacher education as an issue in the *Chronicle of Higher Education* and SHEEO surveys on legislative issues. (In 1997, 38 states enacted teacher education legislation, according to the National Conference of State Legislatures.) This is especially surprising in light of the provisions related to teacher preparation programs in the reauthorization of the Higher Education Act. Grants totaling \$300 million were authorized for college-school partnerships to improve the training of teachers and to recruit more teachers to underserved areas. Additionally, states are required to present annual report cards on teacher education programs that describe standards, pass rates on teacher assessment exams, and certification requirements.

Moderate economic growth and slight downturns in the leading economic indicators suggest that higher education is unlikely to achieve those 12 percent or 21 percent increases projected by higher education officials for state appropriations in FY2000. Perhaps officials should be seeking productivity gains, studying and implementing alternate delivery mechanisms, and finding sources other than state appropriations to assist in fulfilling their missions in the 21<sup>st</sup> century.

## ***Endnotes***

<sup>1</sup> Hines, Edward. *Grapevine*. Bloomington, Illinois: Illinois State University 1998. [www.coe.ilstu.edu/grapevine](http://www.coe.ilstu.edu/grapevine)

<sup>2</sup> National Association of State Budget Officers. *Fiscal Survey of the States*. Washington, D.C. December 1998. [www.nasbo.org](http://www.nasbo.org)

<sup>3</sup> American Association of State Colleges and Universities. *State Issues Survey*. Washington, D.C.: AASCU, January 1999. [www.aascu.org](http://www.aascu.org)

<sup>4</sup> Hebel, Sara. "Two New Tax Credits Create Costly Tasks for College Officials," *Chronicle of Higher Education*, January 29, 1999, p. A35. [www.chronicle.com](http://www.chronicle.com)

<sup>5</sup> American Association of State Colleges and Universities. *Public Higher Education and Public Good: Public Policy at the Crossroads*. Washington, D.C.: AASCU, November 1998.

<sup>6</sup> Bell, Julie D., National Conference of State Legislators, speech delivered at the annual meeting of the state relations professionals of the National Association of State Universities and Land Grant Colleges, American Association of State Colleges and Universities, and the Council for the Advancement and Support of Education, in New Orleans, December 7, 1998. [www.ncsl.org](http://www.ncsl.org) [www.nasulg.org](http://www.nasulg.org) [www.aascu.org](http://www.aascu.org)

<sup>7</sup> Complete information on state-by-state appropriations for higher education over the ten year period FY1989 to FY1999 can be obtained at [www.ilstu.edu/grapevine](http://www.ilstu.edu/grapevine). Information on state budgets, expenditures, and fund balances can be obtained at [www.nasbo.org](http://www.nasbo.org).

<sup>8</sup> Bureau of Labor Statistics. *Consumer Price Index*. Washington, D.C.: U.S. Government Printing Office; also available at <http://stats.bls.gov/cpihome.htm>

<sup>9</sup> American Association of State Universities and Colleges. *State Fiscal Conditions*. Washington, D.C.: AASCU, August 1998. Available at [www.aascu.org](http://www.aascu.org)

<sup>10</sup> National Association of State Budget Officers. *Fiscal Survey of States*. December 1998.

<sup>11</sup> Calculated by MGT from data reported by the National Association of State Budget Officers and Illinois State University's *Grapevine*. Data on percentage share for FY1987 to FY1997 from AASCU *State Fiscal Conditions*, August 1998, page 4.

<sup>12</sup> National Center for Education Statistics, *Digest of Education Statistics 1997 ; Fall Enrollment in Postsecondary Institutions, 1996*; and *Projections of Education Statistics to 2008*. Washington, DC: US Government Printing Office, 1998.

<sup>13</sup> Halstead, Kent *State Profiles: Financing Public Higher Education 1998 Rankings and Trend Data 1978 to 1998*. Arlington, VA: Research Associates of Washington, 1998; and private conversation, Feb. 12, 1999. [www.rschassoc.com](http://www.rschassoc.com)

<sup>14</sup> The College Board. *Trends in College Pricing 1998*. New York: The College Board, 1998.

<sup>15</sup> Ibid.

<sup>16</sup> National Commission on the Cost of Higher Education. *Straight Talk About College Costs and Prices*, Washington, DC: National Commission. January 1998. Also available at [www.nasulgc.nche.edu/Pub\\_CostCommPT2Jan98.htm](http://www.nasulgc.nche.edu/Pub_CostCommPT2Jan98.htm)

<sup>17</sup> SHEEO/MGT Survey of SHEFOs.

<sup>18</sup> The College Board. *Trends in Student Aid 1998*. New York: 1998.

<sup>19</sup> Conklin, Kristin D. *Federal Tuition Tax Credits and State Higher Education Policy*. Washington, DC: National Center for Public Policy and Higher Education. 1998.

<sup>20</sup> AASCU. *Student Charges, A Special Report*. Washington, DC: April 1998.

<sup>21</sup> Gross, Anne C., Mary M. Bachinger, and Edward L. Whalen. "Mountains of Work," *Business Officer*, September 1998.

<sup>22</sup> Calculated from data from National Center for Education Statistics, *Digest of Education Statistics 1997*. U.S. Government Printing Office, 1997.

<sup>23</sup> AASCU. *State Issues Survey*. Washington, DC: January 1999.

<sup>24</sup> AASCU. *State Issues Survey*. Washington, DC: January 1999.

<sup>25</sup> National Association of State Budget Officers. *Fiscal Survey of the States*. Washington, DC: NASBO, May 1998.

<sup>26</sup> Burke, Joseph and Andrea Serban. *Current Status and Future Prospects of Performance Funding and Performance Budgeting for Public Higher Education: The Second Survey*. Albany, NY: Nelson A. Rockefeller Institute of Government. 1998.

<sup>27</sup> Calculated from data in Schmidt, Peter and Jeffrey Selingo. "College Hope 1999 Legislatures Will Provide Financial Security," *Chronicle of Higher Education*, January 8, 1999.

<sup>28</sup> AASCU. *State Fiscal Conditions*, August 1998.

<sup>29</sup> Schmidt, Peter and Jeffrey Selingo. "College Hope 1999 Legislatures Will Provide Financial Security," *Chronicle of Higher Education*, January 8, 1999, p. A34.

<sup>30</sup> SHEEO/MGT Survey of SHEFOs.

<sup>31</sup> SHEEO/MGT Survey of SHEFOs.

<sup>32</sup> SHEEO/MGT Survey of SHEFOs.

<sup>33</sup> Bell, Julie D. op. cit.

<b>Exhibit 1</b>								
<b>State Appropriations and Budget Balances</b>								
	<b>FY99 State Approp. for Higher Education*</b>	<b>% Change over FY98*</b>	<b>State Budget % Exp. Change**</b>	<b>2 Yr. % Change Over FY97*</b>	<b>State Budget 2yr. % Exp.</b>	<b>FY99 Balances State Funds **</b>	<b>FY99 Balances as a % of Expend.**</b>	<b>FY99 State Tax Actions**</b>
Alabama	1,028,644	5.3%	3.4%	6.3%	7.7%	29,000	0.6%	0
Alaska	170,403	1.1%	-4.9%	-0.9%	-4.3%	3,015,000	130.2%	0
Arizona	836,538	6.5%	11.8%	18.4%	20.7%	398,000	6.8%	-120,000
Arkansas	556,447	7.7%	5.8%	14.3%	11.7%	37,000	1.2%	0
California	7,309,377	13.7%	7.3%	26.3%	16.0%	1,950,000	3.4%	1,384,000
Colorado	682,210	4.6%	11.6%	10.2%	16.0%	421,000	8.0%	-31,200
Connecticut	626,878	6.5%	1.5%	15.6%	7.0%	519,000	5.2%	-82,200
Delaware	168,601	8.7%	18.8%	13.6%	26.4%	402,000	17.8%	-56,100
Florida	2,498,665	9.3%	5.7%	23.9%	16.3%	1,185,000	6.6%	-116,400
Georgia	1,483,818	7.2%	7.2%	13.9%	13.2%	366,000	2.9%	-352,000
Hawaii	319,421	-9.2%	-0.6%	-9.0%	0.3%	249,000	7.8%	-65,000

Idaho	265,708	7.0%	11.4%	10.0%	15.3%	56,000	0.0%	0
Illinois	2,410,044	7.2%	9.2%	13.7%	15.2%	1,200,000	5.6%	-117,000
Indiana	1,147,816	5.1%	6.9%	11.2%	11.6%	1,657,000	19.6%	-54,300
Iowa	785,230	4.9%	4.1%	10.3%	9.9%	725,000	16.1%	-85,600
Kansas	600,413	6.0%	10.3%	12.2%	17.8%	524,000	12.5%	-156,000
Kentucky	888,700	15.7%	9.9%	25.6%	15.4%	288,000	4.4%	-12,300
Louisiana	747,821	3.5%	-0.6%	15.8%	-0.6%	2,000	0.0%	-14,000
Maine	200,149	7.5%	14.2%	9.7%	21.5%	118,000	5.5%	-69,900
Maryland	940,073	7.1%	8.3%	10.8%	14.3%	752,000	8.9%	-62,000
Massachusetts	997,595	9.5%	6.7%	20.8%	4.4%	1,173,000	6.4%	-789,000
Michigan	1,882,500	3.0%	1.7%	7.2%	5.7%	1,144,000	13.0%	-349,900
Minnesota	1,239,394	5.0%	11.8%	13.5%	18.3%	1,427,000	12.5%	-474,100
Mississippi	786,969	8.1%	7.0%	17.7%	9.2%	311,000	10.0%	0
Missouri	919,548	9.3%	4.4%	15.9%	6.5%	202,000	2.9%	-157,000
Montana	129,929	2.2%	1.1%	3.3%	3.6%	25,000	2.4%	-56,500
Nebraska	442,020	6.3%	15.4%	10.0%	18.7%	287,000	12.9%	-109,600
Nevada	290,363	-0.5%	5.8%	21.9%	15.7%	221,000	14.4%	0
New Hampshire	91,837	3.4%	3.5%	10.7%	11.7%	22,000	2.3%	0
New Jersey	1,445,843	4.3%	6.5%	7.6%	11.6%	700,000	3.9%	-200,000
New Mexico	517,247	6.4%	2.8%	6.1%	5.7%	249,000	7.9%	-20,500
New York	3,033,704	6.4%	7.1%	7.9%	11.5%	1,669,000	4.5%	1,109,600
North Carolina	2,171,339	8.2%	9.5%	17.2%	18.8%	523,000	4.2%	-23,700
North Dakota	171,690	0.0%	4.5%	11.6%	10.8%	78,000	10.2%	0
Ohio	1,939,438	3.7%	8.1%	9.6%	12.3%	1,334,000	7.2%	-780,300
Oklahoma	723,051	8.6%	6.8%	17.2%	15.0%	523,000	11.7%	-31,100
Oregon	565,462	2.6%	8.3%	17.6%	17.1%	408,000	9.0%	0
Pennsylvania	1,775,307	3.5%	4.1%	7.6%	8.6%	813,000	4.5%	-241,000
Rhode Island	149,563	6.3%	8.8%	13.0%	14.9%	89,000	4.3%	0
South Carolina	761,931	2.3%	-2.0%	-15.9%	4.3%	364,000	7.6%	0
South Dakota	125,882	4.3%	4.6%	7.2%	14.5%	40,000	5.4%	9,500
Tennessee	944,435	3.8%	6.9%	2.7%	14.4%	227,000	3.6%	0
Texas	3,527,867	-0.9%	0.6%	10.5%	8.7%	3,761,000	14.0%	-2,000

Utah	492,035	4.7%	6.4%	7.5%	8.4%	99,000	3.1%	0
Vermont	59,173	3.8%	-12.9%	7.8%	0.7%	75,000	9.9%	0
Virginia	1,296,078	12.4%	12.5%	21.0%	20.3%	361,000	3.6%	0
Washington	1,144,908	3.3%	4.7%	6.5%	7.0%	904,000	9.3%	-6,900
West Virginia	362,261	2.7%	7.0%	5.9%	10.5%	67,000	2.5%	-22,100
Wisconsin	1,040,341	3.9%	3.7%	7.6%	11.1%	13,000	1.9%	0
Wyoming	139,711	3.5%	0.0%	3.5%	3.9%	78,000	15.1%	-320,400
National Total								
or Average	52,834,377	6.5%	8.7%	13.3%	14.4%	31,080,000	7.1%	7,462,200
High	7,309,377	15.7%	18.8%	26.3%	26.4%	3,761,000	130.2%	9,500
Low	59,173	-9.2%	-12.9%	-15.9%	-4.3%	2,000	0.0%	1,384,000
Note: Dollars in thousands.								
* Source: Grapevine								
** Source: National Association of State Budget Officers								

*Last Updated on 2/18/99  
By Cathy Walker*