



## STATE HIGHER EDUCATION EXECUTIVE OFFICERS

3035 Center Green Drive, Suite 100 • Boulder, CO 80301-2251 • 303-541-1600 • Fax: 303-541-1609 • email: [sheeo@sheeo.org](mailto:sheeo@sheeo.org) • [www.sheeo.org](http://www.sheeo.org)

**EMBARGOED UNTIL WEDNESDAY, MARCH 22, 2006.  
THIS ADVANCE NOTICE IS PROVIDED FOR YOUR INFORMATION.**

Date: March 22, 2006  
Contact: Paul Lingenfelter, President, (303.541.1605) or  
David Wright, Senior Research Analyst, (303.541.1609)  
Email: [plingenfelter@sheeo.org](mailto:plingenfelter@sheeo.org) or [dwright@sheeo.org](mailto:dwright@sheeo.org)  
SHEEO website: [www.sheeo.org](http://www.sheeo.org)

### **SHEEO RELEASES *STATE HIGHER EDUCATION FINANCE FY 2005***

**Unremitting enrollment growth and inflation push state and local support per student to 25-year low; increases in net tuition partially compensate.**

**Boulder, Colorado** – Despite an appropriations increase of 3.5% in fiscal year 2005, constant dollar per student state and local funding for public colleges and universities was at the lowest point in 25 years, according to the annual study of state higher education finance released today by the association of State Higher Education Executive Officers. Fiscal year 2005 state and local support per full-time-equivalent student in public institutions was \$5,833; the high point since 1980 was in fiscal 2001, when per student support was \$7,121 in constant 2005 dollars.

Support per student decreased dramatically from 2001 to 2005, because enrollment grew by 14.3 percent and inflation grew by 14.2 percent, without corresponding increases in public funding. State and local support, essentially flat from 2001 to 2004, grew by 3.5 percent in 2005, but this increase was exceeded by the combined effects of continuing growth in enrollment (2.1%) and inflation (3.4%). Consequently, constant dollar state and local government support per student decreased 1.9 percent in 2005.

Between 2004 and 2005 average per student increases of 7.7% in net tuition offset the continuing slide in public funding. Total educational revenues (state and local support plus net tuition) grew by 0.2%, the first increase since 2001. Total educational funding, now at \$9,212, is near the long term average over the past thirty five years, approximately the level of spending in 1991, but below peak funding (\$10,100) achieved in the period, 1999 to 2001. Net tuition, however, now accounts for 36.7% of educational revenues, a new high. The student share of total revenues was 26.1% in 1991. State support for student assistance grew by 7.5% in 2005.

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The study also examines higher education funding in the context of federal data on state taxable wealth and state tax revenues from the Census Bureau and the Bureau of Economic Analysis. These data sources indicate state wealth has grown faster than state and local revenues; the effective tax rate (revenues as a percentage of taxable wealth), declined from 9.0% to 7.8% from 1993 to 2003. From 1993 to 2003 the portion of state and local revenues allocated to higher education has fluctuated between 6.8% and 7.6%. It was 7.3% in 2003.

According to SHEEO President Paul Lingenfelter, “Projected increases in the college age population, the increasing economic importance of higher education, and survey data on student aspirations all suggest the demand for higher education will continue to increase. But an increasing share of the cost has been shifted to students and their families. If this trend continues both the American tradition of affordable higher education and student participation could well be threatened.”

Diane Barrans, Chair of SHEEO’s Executive Committee and Executive Director of the Alaska Commission on Postsecondary Education, observed, “I am encouraged because the fiscal 2005 SHEF study indicates a positive turn in state support, without quite ending a difficult period when aggregate state funding for higher education fell considerably behind extraordinary enrollment growth and normal inflation. The increase in student aid appropriations is also encouraging in the context of growing tuition.”

*Net tuition revenue per student* grew 13.4% faster than inflation (from \$2,979 to \$3,379 in constant dollars) during these five years, partially off-setting the reduction in per student support from state and local sources. In the aggregate, states increased support for student financial assistance from \$4.0 billion in 2001 to \$5.7 billion in 2005.

*Total educational spending per student* in public institutions (state and local revenues plus net tuition in constant 2005 dollars) fell 8.8% between 2001 and 2005, from \$10,100 to \$9,212. In the early 1990s total spending was close to \$9,200; it then grew to and remained at \$10,100 from 1999 to 2001 before the subsequent decreases. (“Total educational spending” excludes research, agricultural extension services, and medical education, which together accounted for 13.5% of all state and local higher education spending in fiscal year 2005 and 14.2 % in 2001.)

The decline in state support per student between 2001 and 2005 extends an historical pattern -- in recessions state revenues have fallen, higher education enrollments have grown, and for a variety of reasons, states often have cut funding for higher education more than funding for other activities.

“Nationally,” Lingenfelter observed, “from 2001 to 2005 students and parents paid more and public institutions increased enrollments and absorbed material budget cuts. Within the national pattern, however, the variation among states is substantial. The detailed study shows some state higher education systems have done reasonably well, while others have experienced substantial reductions.”

Over the past 35 years state support per FTE in higher education has declined during every recession and recovered shortly afterward. Current indicators suggest the historical pattern of recovery is recurring, although the ultimate extent of the recovery is far from certain in view of projections for additional enrollment growth and tight state budgets. Fiscal year 2006 enrollment data are not yet available, but the *Grapevine* Survey of Illinois State University found that 46 states increased nominal state tax appropriations in 2006 (with a 6% increase nationally), up from 43 states with increases in 2005.

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“These have been very difficult years,” Barrans acknowledged. “Both our growing needs for higher education and the difficulty of sustaining state support in recessions are reflected in these numbers. But the historical record and current signs of recovery indicate state decision-makers understand the importance of higher education to individual opportunity and national prosperity.”

“This is not a problem with an easy solution,” Lingenfelter stated. “It will not be solved by relying solely on additional financial contributions from taxpayers and students, nor is it realistic to expect public colleges and universities to educate increasing numbers of students to world class standards with continually declining resources. Both increased productivity in the educational system and increased public investment will be required to meet the nation’s educational needs.”

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

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