
TECHNICAL PAPER C

Diverse Perspectives on State Higher Education Finance Data

Understanding state support for higher education is complicated by the various perspectives of organizations that measure monetary support. Aside from SHEF, two annual studies are national in scope and report different numbers based on unique definitions and data elements—Illinois State University's *Grapevine* survey and the National Association of State Budget Officers (NASBO). Further complicating the issue, states observe different practices in collecting and reporting data. For example, as reported by NASBO, forty-two states include part of all of tuition and fees in state expenditures for higher education and thirty-nine states include part of all of student loan programs. Reconciling these differences (both at the data collection and state levels) may be impossible; understanding them, however, is essential to getting a clear picture of state trends in financing higher education.

The following summarizes data collected by SHEEO, NASBO, and *Grapevine*.

***Grapevine* – "State Effort"**

Grapevine reports on total "state effort" for higher education, defined as appropriations from tax funds for universities, colleges, community colleges, and state higher education agencies. *Grapevine* requests that states follow three guidelines in reporting:

1. Report only appropriations, not actual expenditures.
2. Report only sums appropriated for annual operating expenses.
3. For state tax appropriations in complex universities, separate the sums appropriated for (or allocated to) the main campus, branch campuses, and medical centers (even if on the main campus). Medical center data should include the operations of colleges of medicine, dentistry, pharmacy and nursing, and teaching hospitals, either lumped as one sum or set out separately as preferred.

"State effort" for *Grapevine* includes:

- Sums appropriated for state aid to local public community colleges, state-supported community colleges, and vocational-technical two-year colleges or institutes predominately for high school graduates and adult students.
- Local tax support for higher education.
- Sums appropriated for statewide coordinating or governing boards (for expenses and/or for allocation to other institutions).
- Sums appropriated for state scholarships or other student financial aid.
- Sums destined for higher education but appropriated to another state agency.
- Appropriations directed to independent institutions of higher education.

Excluded items include appropriations for capital outlays and debt service, and appropriations of sums derived from federal sources, student fees, auxiliary enterprises, and other non-tax sources.

National Association of State Budget Officers (NASBO) – "State Funds"

NASBO defines state support of higher education as expenditures reflecting support of state university systems, community colleges, and vocational education. "State Funds" are defined as general funds plus other state funds. Fund revenue sources include:

- Sales Tax.
- Gaming Tax.
- Corporate Income Tax.
- Personal Income Tax.
- Other taxes and fees (depending on the state, these may include cigarette and tobacco taxes, alcoholic beverage taxes, insurance premiums, severance taxes, licenses and fees for permits, inheritance taxes, and charges for state-provided services).
- Tuition and Fees and student loan revenues (in most states).

States are also requested to include capital spending (for some states this can be substantial, and it tends to vary widely from year to year). Exclusions include federal research grants and university endowments.

SHEEO – "Total State Support"

The SHEEO survey requires the state's *Grapevine* appropriation number along with the following data elements:

- Funding under state auspices for appropriated non-tax state support (monies from lotteries set aside for institutional support or for student assistance).
- Local tax support for higher education.
- Funding under state auspices for non-appropriated state support (monies from receipt of lease income and oil/mineral extraction fees on land set aside for public institution benefit).
- Sums destined for higher education but appropriated to another state agency.
- Interest or earnings received from state funded endowments set aside for public sector institutions.
- Portions of multi-year appropriations from previous years.

This first annual SHEF report builds on Dr. Kent Halstead's *State Profiles: Financing Public Higher Education*, better known as the "Halstead Study." Starting in the 1970s, Research Associates of Washington, headed by Halstead, produced a model of the principal factors governing state support of public higher education. Through the presentation of raw state data, indexed data, weighted state comparisons, and national overviews, Halstead sought to provide states with the capability to assess their support of public higher education. He analyzed state FTE, appropriations, and net tuition data, along with data gathered from the Census Bureau, the Department of Treasury, and the National Center for Education Statistics, and created tables displaying state support, tax capacity, tax effort, and family share of funding. His results were published in two volumes—the annual *State Profiles: Financing Public Higher Education Rankings*, and the companion trend data, *State Profiles: Financing Public Higher Education Trend Data*. Both were last published in 1998.

In 2001, SHEEO resumed this endeavor. Data were gathered from the intervening years, a time frame for an annual collection was established, and the data collection instrument was revised, creating an electronic form consistent with the definitions used in the past study while expanding the collection with new data for additional analysis.

The SHEEO study is similar to the Halstead Study in the following respects:

- It analyzes state support for higher education, setting aside support in categories that vary widely among states (research, medical education, and agriculture extension services) so as to focus the analysis on appropriations for instruction and public service in more comparable areas;
- It collects annual FTE enrollment data to calculate more comparable estimates of state support per student;
- It examines state support for higher education in the context of a state's capacity to raise revenues from taxation;
- It examines the relative contribution of students to the cost of public higher education;
- It examines interstate differences in the cost of living and in the enrollment mix among different types of institutions.

Additionally, SHEEO's annual survey offers information on other relevant dimensions of higher education finance:

- State support for the education of students attending independent colleges and universities (direct state grants to institutions, or financial aid to students).
 - State support of higher education operations through non-tax revenues, including lottery proceeds, royalties from natural resources, and state-supported endowments.
 - Trends in state support for research, medical education, and agricultural extension services.
 - State-supported student financial assistance.
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