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STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

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For the first time, students are shouldering the majority of higher education costs, despite increases in state and local support, report finds

State Higher Education Finance (SHEF) examines the trends, context and consequences of state higher education funding decisions in FY 2017. Explore the data visualizations on our website: http://www.sheeo.org/shef.

BOULDER, Colorado — In FY 2017, for the first time in our nation's history, more than half of all states relied more heavily on tuition dollars to fund their public systems of higher education than on government appropriations, despite increased state and local support for public colleges and universities. That's the overarching narrative of the State Higher Education Finance (SHEF) FY 2017 report, a comprehensive, nonpartisan analysis of educational appropriations, tuition revenue and enrollment trends in all 50 states, released today by the State Higher Education Executive Officers Association (SHEEO).

In FY 2017, states saw a moderate increase in state and local support for higher education, along with a slight increase in tuition revenue and nearly no change in full-time equivalent (FTE) enrollment. Yet despite five straight years of increases in public investments, constant dollar state support of higher education per FTE student remains $1,000 lower than before the 2008 Great Recession and $2,000 lower than before the 2001 dot-com crash. What's more, states are increasingly dependent on tuition revenue as a major funding source for public colleges and universities, which could pose significant sustainability challenges as states continue their efforts to increase the percentage of their residents with some education beyond high school to meet their workforce needs.

"Although the cost of college has been rising for students and families, so too have the economic benefits of earning a high-quality postsecondary credential or degree," said Robert E. Anderson, president of SHEEO. "Every higher education finance decision ought to reflect this reality. To respond to the affordability crisis, accurate data and high-quality research are needed. The SHEF report aims to broaden the field's understanding of the finance landscape to support smart policy decisions at the state and federal level."

While the nation has rebounded in many ways since the Great Recession, some industries — such as higher education — have been slow to feel the effects of economic recovery. In fact, 44 states have not reached pre-recession levels of state and local support per FTE. For states, challenging budget environments require new ways of thinking about financing public systems of higher education, and the policy decisions made today have both short-term and long-term implications on their ability to develop the talent needed to meet workforce demands and grow their economies. The SHEF report examines the trends, context and consequences of state higher education funding decisions in FY 2017.

Five key takeaways from this year's report include:

1. **Overall, states moderately expanded their support for higher education in FY 2017.** State and local appropriations for public colleges and universities totaled $94.5 billion – a 2.1 percent increase over FY 2016 – from taxes and other funding sources, such as lottery revenue. Twenty-seven states increased their appropriations per FTE, yet despite this expansion, state support per student remains lower than before the 2008 Great Recession and the 2001 dot-com crash. When adjusting for inflation, state appropriations per full-time student remain $1,000 below that of 2008 and nearly $2,000 below investments in 2001. Looking at the states individually, only six states have reached or surpassed their 2008 pre-recession appropriations.

   "The Great Recession was devastating for many institutions and state budgets," said Eileen Klein, President of the Arizona Board of Regents and Chair of SHEEO's Executive Committee. "Many of our elected leaders realize the benefits that higher education brings to our country; however, returning to pre-recession funding levels is not viable for many states. This is an era that calls for innovation among colleges and universities to develop new revenue streams to ensure our institutions remain competitive while counting on states to provide their fair share of funds for higher education – dollars that ultimately benefit students and our country's future workforce."

2. **State financial aid for students attending public institutions reached an all-time high.** States allocated an average of $673 in financial aid per full-time student in FY 2017. What's more, state financial aid has increased 86 percent since 2000 and now represents 8.8 percent of overall educational appropriations. To respond to this trend, this year's edition of the SHEF report includes a new chart that allows readers to compare changes in appropriations for state public aid over time.

   "We're encouraged to see states protect and increase their commitments to financial aid, even as they navigate challenging budget environments and funding realities," said Andy Carlson, Vice President of Finance Policy and Member Services at SHEEO. "As policymakers continue to consider ways to make the most efficient use of their resources, focusing their scarce aid dollars on the students who need it the most is one key way that states can promote access and success for students who might not otherwise be able to afford education beyond high school."

3. **For the first time, more than half of all states relied more on tuition than on government appropriations to finance their systems of higher education.** Net tuition revenue contributed $72.3 billion of public higher education funding in FY 2017, accounting for 46.4 percent of total educational revenue nationally – up from 35.8 percent before the Great Recession. In 28 states, more than 50 percent of total educational revenues came from tuition. Net tuition revenue per FTE, driven both by changes in tuition rates and enrollment composition, increased in constant dollars in 33 states.

   "While increases in tuition revenue once served as a stopgap for cuts to educational appropriations, we have reached a point where states have more than made up for these funding limitations," said Anderson. "The reliance on tuition dollars most adversely impacts our historically underserved populations. To develop the talent needed to meet workforce demands and grow their economies, states must find a way to balance the scale so that their higher education systems are not disproportionately dependent on the hardworking American people and families who can least afford it."

4. **Total educational revenues are at the highest level since 1980.** As tuition revenues increase, so too do states' total educational revenues (the sum of state and local appropriations plus net tuition). Overall, total educational revenues are nearly six percent (5.8%) above where they were in 2008 and are the highest seen in the SHEF dataset, which dates back to 1980 – further indicating an outsized reliance on tuition revenue. While there is significant variation across states and between institutions within each state, this means that overall, state public higher education had more total revenue available than in any prior year. In FY 2017, total educational revenues (the sum of state and local support and net tuition) increased in 32 states.

5. **Full-time equivalent (FTE) enrollment continues to taper, though not significantly.** Full-time equivalent (FTE) enrollment, which peaked during the Great Recession in 2011 and has decreased each year since, continued to decline by 10,700 FTE and is now at 11 million. Despite several years of decreases nationally, FTE enrollment remains 7.7 percent above the level before the Great Recession.

The moderate changes seen nationally in enrollment, educational appropriations, and net tuition revenue mask significant variation across the states. For example, while national trends indicate that FTE enrollment is on the decline, in 20 states, enrollment increased in FY 2017. In addition, appropriations per-FTE increased nationally, but decreased in 22 states.

"While a national snapshot is valuable in helping the field understand big-picture trends, it's important to note that the SHEF report is a composite of 50 very different states – each with its own tax structures, population demographics and resource bases," said Sophia Laderman, senior policy analyst at SHEEO and the FY 2017 SHEF report's primary author. "By controlling for variation and considering state context wherever possible, it's our hope that the SHEF report will provide state leaders with a reliable, actionable method for evaluating finance, which is one of the most fundamental issues facing state higher education policy."

Those who are interested in data for individual states are encouraged to access the electronic version of the report, which includes numerous supplementary, state-by-state data tables, at *http://www.sheeo.org/shef*.

ABOUT THE STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION (SHEEO)

The State Higher Education Executive Officers is the national association of the chief executives of statewide governing, policy, and coordinating boards of postsecondary education. Founded in 1954, SHEEO serves its members as an advocate for state policy leadership, a liaison between states and the federal government, a vehicle for learning from and collaborating with peers, a manager of multistate teams to initiate new programs, and as a source of information and analysis on educational and public policy issues. SHEEO seeks to advance public policies and educational practices to achieve more widespread access to and completion of higher education, more discoveries through research, and more applications of knowledge that improve the quality of human lives and enhance the public good.