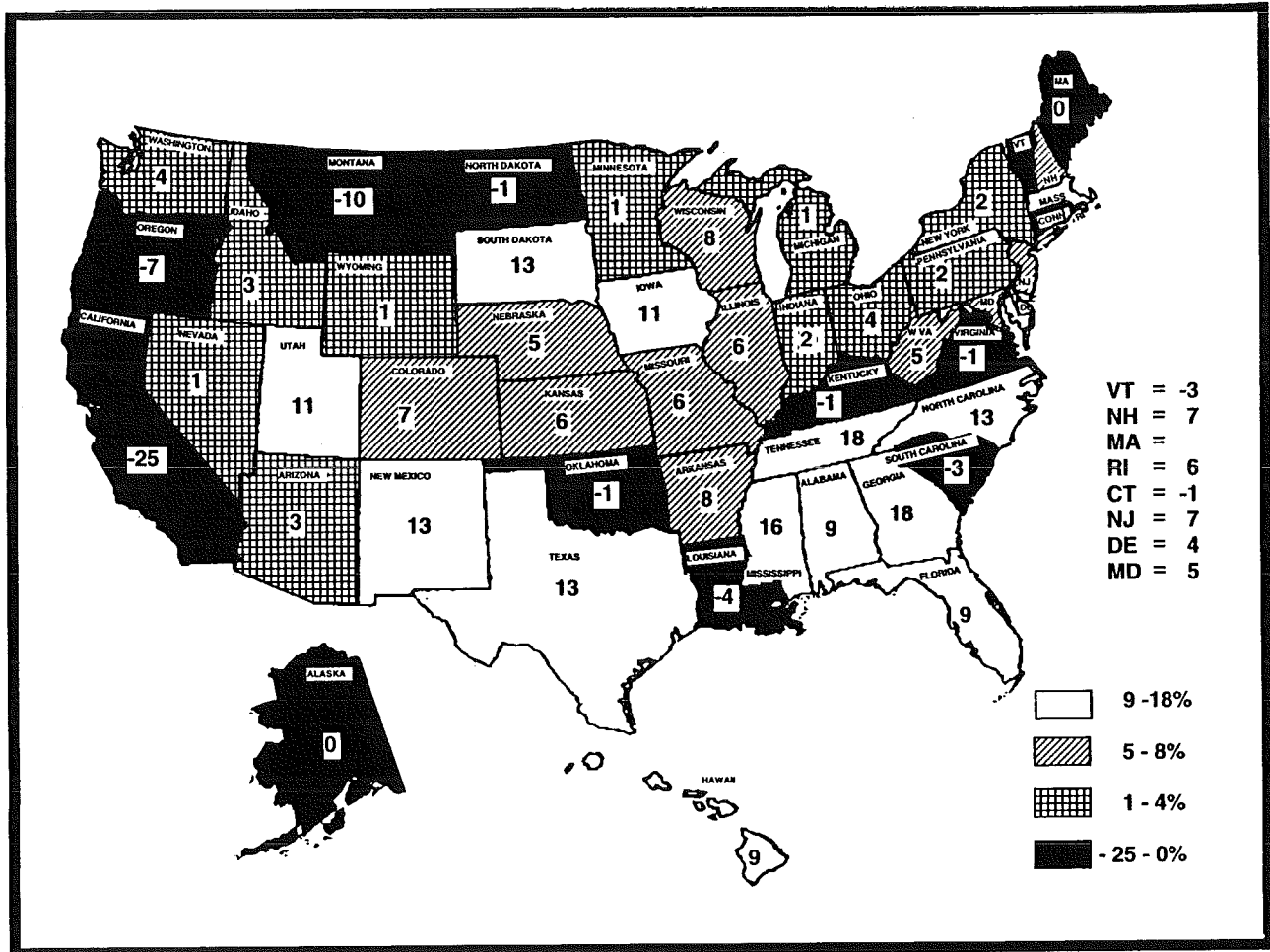


# Grapevine

**TIMELY DATA CIRCULATED WHILE CURRENT**  
 Reports on total state tax effort for higher education, including state tax appropriations for universities, colleges, and community colleges.

**PERCENTAGES OF TWO-YEAR GAINS IN APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF HIGHER EDUCATION IN THE FIFTY STATES, FISCAL YEAR 1994 OVER FISCAL YEAR 1992**



**STATE HIGHER EDUCATION APPROPRIATIONS: FY1993-94 . . . . . 3186-3192**  
 by Edward R. Hines

**GRAPEVINE**

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APPROPRIATIONS OF STATE TAX FUNDS FOR OPERATING EXPENSES OF HIGHER EDUCATION,  
FISCAL YEARS 1983-84, 1991-92, 1992-93, AND 1993-94, WITH PERCENTAGES OF GAIN  
OVER THE MOST RECENT ONE, TWO, AND TEN YEARS. (In thousands of dollars)

STATES	Year 1983-84 (1)	Year 1991-92 (2)	Year 1992-93 (3)	Year 1993-94 (4)	1-year Gain (5)	2-year Gain (6)	10-year Gain (7)
Alabama	449,572	818,760	823,942	892,127	8	9	98
Alaska	222,773	179,987	174,118	179,818	3	0	- 19
Arizona	333,195	597,342	608,935	616,917	1	3	85
Arkansas	197,321	383,108	407,501	413,466	1	8	110
California	3,220,985	5,831,201	4,824,479	4,384,452	- 9	-25	36
Colorado	366,747	500,082	529,158	534,418	1	7	46
Connecticut	273,706	501,687	432,955	494,937	14	- 1	81
Delaware	77,792	121,011	122,469	125,969	3	4	62
Florida	958,331	1,443,318	1,461,341	1,576,041	8	9	64
Georgia	570,170	874,320	941,363	1,034,858	10	18	81
Hawaii	180,510	340,296	366,135	371,336	1	9	106
Idaho	101,107	195,334	190,593	201,334	6	3	99
Illinois	1,108,280	1,711,076	1,730,982	1,806,826	4	6	63
Indiana	511,635	902,003	896,601	918,132	2	2	79
Iowa	360,741	558,653	600,800	622,094	4	11	72
Kansas	306,473	451,464	468,030	477,484	2	6	56
Kentucky	400,529	639,422	609,659	630,650	3	- 1	57
Louisiana	503,086	589,209	575,681	567,580	- 1	- 4	13
Maine	76,743	173,003	172,151	172,451	0	0	125
Maryland	437,028	716,722	752,468	751,084	0	5	72
Massachusetts	537,263	583,569	650,187	826,995	N/C	N/C	N/C
Michigan	907,572	1,533,685	1,539,460	1,546,950	0	1	70
Minnesota	621,327	995,429	965,288	1,008,028	4	1	62
Mississippi	345,567	394,178	434,246	458,989	6	16	33
Missouri	360,946	574,670	590,505	610,670	3	6	69
Montana	103,617	130,225	123,228	116,982	- 5	-10	13
Nebraska	193,925	340,106	353,847	358,249	1	5	85
Nevada	75,360	191,773	207,572	194,219	- 6	1	158
New Hampshire	41,141	75,175	74,026	80,415	9	7	95
New Jersey	642,051	1,159,281	1,183,719	1,245,276	5	7	94
New Mexico	218,822	349,378	364,895	393,353	8	13	80
New York	2,166,908	2,895,561	2,774,114	2,947,227	6	2	36
North Carolina	864,658	1,445,790	1,541,926	1,630,179	6	13	89
North Dakota	110,534	145,535	145,535	143,699	- 1	- 1	30
Ohio	883,761	1,414,734	1,378,612	1,471,558	7	4	67
Oklahoma	389,167	542,274	557,532	538,565	- 3	- 1	38
Oregon	273,059	461,155	485,482	428,099	-12	- 7	57
Pennsylvania	917,941	1,483,637	1,426,751	1,513,260	6	2	65
Rhode Island	88,516	106,166	107,591	112,358	4	6	27
South Carolina	392,471	609,908	618,408	594,147	- 4	- 3	51
South Dakota	58,096	99,392	104,998	112,006	7	13	93
Tennessee	405,884	679,374	761,543	802,957	5	18	98
Texas	2,282,342	2,821,806	2,802,348	3,188,362	14	13	40
Utah	198,995	327,723	350,185	363,668	4	11	83
Vermont	39,683	55,742	54,089	54,016	0	- 3	36
Virginia	619,029	962,906	934,990	949,548	2	- 1	53
Washington	587,841	921,166	953,081	954,583	0	4	62
West Virginia	199,755	284,121	284,606	297,074	4	5	49
Wisconsin	595,845	863,337	902,988	936,156	4	8	57
Wyoming	102,764	124,902	122,152	125,954	3	1	23
<b>Totals</b>	<b>25,881,564</b>	<b>40,100,696</b>	<b>39,483,265</b>	<b>40,775,516</b>			
<b>Weighted average percentages of gain</b>					<b>3</b>	<b>2</b>	<b>58</b>

STATE HIGHER EDUCATION APPROPRIATIONS: FY1993-94

Edward R. Hines

Overview

After the two most negative years on record in state support of higher education, Fiscal Year 1993-1994 has been witness to a considerable degree of restoration. For the first time since FY1991, nearly \$40.8 billion were appropriated by states to higher education in this initial round of legislative appropriations. In FY1991, nearly \$40.9 billion were appropriated to higher education, but subsequent revisions downward reduced that final amount to \$39.9 billion. In FY1992, \$40.1 billion and in FY1993 \$39.5 billion were appropriated to higher education.

In addition to a record amount appropriated to higher education, the most apparent features of the data this year are that there were 12 states which appropriated more than one billion dollars each to their higher education systems. In FY1993, only 10 states were in this grouping. These "megastates" are discussed specifically later in this report.

In FY1993, there was a record number of 17 states which experienced a two-year percentage *decline*, and the same number of states experienced a one-year percentage decline from the preceding year. That decline stopped in FY1994 when 11 states experienced two-year percentage declines (five states declined only one-percent) and eight states had one-year declines. In FY1994, only Oregon had a double-digit one-year decline, There was a one-year decline of nine percent in California; however, its two-year decline was 25%.

Current Trends in Gains

The percentage and dollar gains for the most recent 10 years are shown in Table 1. As recently as 1980 to 1990, there was a *doubling* in the total state higher education appropriations nationally. Had that rate of gain continued into the 1990s, there would have been more than \$50 billion dollars appropriated to higher education in FY1994, because \$25.9 billion was appropriated to higher education in 1984. As it turned out, \$40.8 billion were appropriated by state governments to higher education in FY1994.

Table 1

Year	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Billions of Dollars	25.9	28.7	31.0	32.4	34.4	36.6	39.2	39.9	40.1	39.5	40.8
1-yr Gain (\$ billions)	1.6	2.8	2.3	1.4	2.0	2.2	2.6	0.7	0.2	-0.6	1.3
1-yr Gain (Percent)	6.4	10.9	8.2	4.4	6.3	6.2	7.1	1.8	0.6	-1.9	3.3
2-yr Gain (Percent)	12.5	18.0	20.0	13.0	11.0	12.9	13.8	9.1	2.4	-1.3	1.7

Table 2

STATES	2-YR GAIN(%)
Georgia	18
Tennessee	18
Mississippi	16
F Texas	13
I North Carolina	13
R South Dakota	13
S New Mexico	13
T Iowa	11
Utah	11
Florida	9
Hawaii	9
Alabama	9
Wisconsin	8
Arkansas	8
S New Jersey	7
E New Hampshire	7
C Colorado	7
O Missouri	6
N Rhode Island	6
D Kansas	6
Illinois	6
Nebraska	5
Maryland	5
West Virginia	5
Delaware	4
Ohio	4
T Washington	4
H Arizona	3
I Idaho	3
R Pennsylvania	2
D Indiana	2
New York	2
Nevada	1
Minnesota	1
Michigan	1
Wyoming	1
Alaska	0
Maine	0
F Oklahoma	-1
O North Dakota	-1
U Connecticut	-1
R Kentucky	-1
T Virginia	-1
H South Carolina	-3
Vermont	-3
Louisiana	-4
Oregon	-7
Montana	-10
California	-25
Massachusetts	N/C

In dollar gains during the more positive years of the 1980s, higher education experienced more than a two billion dollar gain from one year to the next. During the lean years of the 1980s, the annual gain was less than two billion, but it always was more than one billion dollars, until the early 1990s. During the four-years from FY1990 through FY1993, there was only a \$300 million (\$.3 billion) gain nationally for all of higher education with an actual \$600 million decline from FY1992 to FY1993. (See Figure 1.) In percentages of gain, that translated into a 1.8 percentage gain from FY1990 to FY1991, then a six-tenths of a percent gain from FY1991 to FY1992, followed by a decline of 1.9 percent into FY1993. In FY1994, there was a gain of 3.3 percentage points from FY1993. In two-year percentage changes, there were similarly slower rates of gain after FY1990 with a decline of 1.3 percent reported in FY1993. In FY1994, there was a two-year gain of 1.7% over FY1992.

Data Revisions

Revisions in the initial legislative decisions made for higher education is a relatively recent phenomenon in state government finance. Revisions occur because states cannot, by law, incur deficit spending, so state governments must pay close attention to actual as well as projected revenue flow during the fiscal year. Prior to the 1980s, occasionally a state, usually one in some fiscal difficulty, would make the initial legislative decision for higher education, and then the legislature would make a subsequent decision in order to adjust the appropriation either upward or, more commonly, downward to bring appropriations and anticipated revenue into balance.

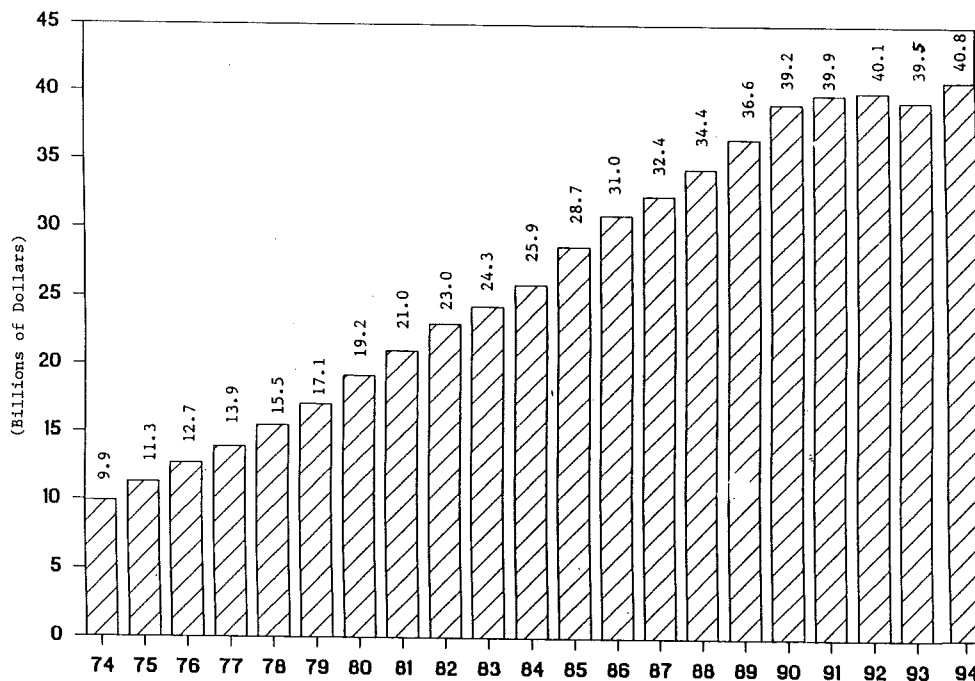


Figure 1. Appropriations of state funds for operating expenses of higher education, FY1973-74 through FY1993-94

Increasingly, during the 1980s, data revisions became more frequent and more common. The rate of data revisions approached or even exceeded one-half of the states annually. At first, the revisions tended to be generally downward, but increasingly that has been changing. An equally common pattern to revisions downward is for a state to be conservative in its initial legislative decision in order to remain within revenue projections, then make revisions to *enhance* an appropriation through a supplement.

We can use the period from the initial legislative decision for higher education in FY1993 until the present time as an example. Fifteen of the 50 states made no change in their initial legislative decision, as reported to Grapevine. Thirty-five of the states did revise their initial figure. Interestingly, of the 35 revisions, 17 were revisions upward and 18 were revisions downward. This, however, gives credence to the hypothesis that not all revisions involve reductions for higher education. In virtually 50% of the cases involving revisions, there was an increase for higher education.

Megastates

"Megastates" is a term referring to a group of relatively highly populated, major industrialized states, each of which has a sizable system of higher education. For years, there were 10 states in this category, and that number increased to 12 early in 1991 before revisions downward in that year caused Minnesota and Virginia to fall back to an appropriation of less than one billion dollars each. Again, in FY1994 there are 12 states in this "megastate" category. As shown in Table 3, Minnesota has returned to the megastate category, but Virginia has not. Rather, a new addition of Georgia occurred in FY1994 when its higher education appropriation edged over the one billion dollar mark.

There perhaps are three categories of megastates. California is in a category of its own simply because of the magnitude of its higher education system. In the initial appropriation in FY1991, prior to a revision downward, California's initial appropriation was over \$6 billion. In the next category are Texas and New York, each with a higher education appropriation of around \$3 billion. The third group of states appropriated one to slightly less than two billion dollars, each. Illinois heads this group with almost \$2 billion, followed by North Carolina and Florida at \$1.6 billion. Next come Michigan, Pennsylvania, and Ohio at \$1.5 billion, New Jersey at \$1.2 billion, and Georgia and Minnesota at just over \$1 billion dollars.

Table 3

Megastates	FY1991-92	FY1992-93	FY1993-94	Percentages of Gain	
				1-yr	2-yr
California	5,831,201	4,824,479	4,384,452	- 9	- 25
Florida	1,443,318	1,461,341	1,576,041	8	9
Georgia	874,320	941,363	1,034,858	10	18
Illinois	1,711,076	1,730,982	1,806,826	4	6
Michigan	1,533,685	1,539,460	1,546,950	0	1
Minnesota	995,429	965,288	1,008,028	4	1
New Jersey	1,159,281	1,183,719	1,245,276	5	7
New York	2,895,561	2,774,114	2,947,227	6	2
North Carolina	1,445,790	1,541,926	1,630,179	6	13
Ohio	1,414,734	1,378,613	1,471,558	7	4
Pennsylvania	1,483,637	1,426,751	1,513,260	6	2
Texas	2,821,806	2,802,348	3,188,362	14	13
National					
Totals/Gains	40,100,696	39,483,268	40,775,516	3	2

In percentages of gain, the 12 megastates represent a varied picture. Going from a positive to a negative circumstance, Georgia, Texas, and North Carolina each had double-digit two-year percentage gains with equally positive one-year percentage gains although North Carolina had only a six percent one-year gain. Florida, New Jersey, and Illinois had two-year gains of nine, seven, and six percent, respectively, while Florida's one-year gain at eight percent was almost double that of New Jersey and Illinois at five and four percent respectively. Pennsylvania, Minnesota, and Michigan had two-year gains of 1-2%, Pennsylvania and Minnesota had stronger one-year gains of six and four percent, respectively, while Michigan had a zero.

Of the 12 megastates, only California was in the negative category with a 25% decline over two-years and a nine percent decline over one year. The substantial effect of California, because of its magnitude, cannot be ignored. Were California's percentage of decline excluded from the national total, the percentage of gain for the entire nation would have been a full percentage point higher. Were California not in decline, there would have been a record of more than \$41 billion appropriated by states to higher education this year.

### Regional Variations

One comparison which can be made between and among states is the extent of variation in state higher education support by region of the country. For this analysis, the United States was divided into four quadrants, using the northeast corner of Missouri as a center point and the Ohio River and southern border of Pennsylvania to divide Northeast from Southeast. There are 14 states in the Northeast, 12 in the Southeast, 11 including Alaska in the Northwest, and 13 including Hawaii in the Southwest. In addition, the 50 states were arranged in four quartiles, using a descending order of states on two-year percentages of gain, FY1994 over FY1992.

The top quartile included 12 states, going from Georgia and Tennessee at an 18% two-year gain down to Alabama, Florida, and Hawaii at nine percent. Arkansas and Wisconsin began the second quartile at an eight percent two-year gain, down to Nebraska, Maryland and West Virginia at five percent two-year gains. There were 12 states in this quartile. There were 12 states in the third quartile, going from Delaware, Ohio and Washington at four percent down to Michigan, Minnesota, Nevada and Wyoming at one percent. The bottom quartile included 14 states from Alaska and Maine at a zero percent change to 11 states with actual declines in higher education support in FY 1994, compared to FY 1992. This group of states in decline included Connecticut, Kentucky, North Dakota, Oklahoma, and Virginia at a one percent decline down to California at a 25% two-year decline.

Table 4

Quartiles	<u>Quadrants</u>				Totals
	NW*	SW**	NE	SE	
Highest	2	4	0	6	12
Second	1	4	5	2	12
Third	4	2	5	1	12
Lowest	4	3	4	3	14
Totals	11	13	14	12	50
*Includes Alaska		**Includes Hawaii			

One major feature of the regional pattern of the preceding two years was an East versus West pattern with many states East of the Mississippi undergoing considerable fiscal stress and states West of the Mississippi River doing relatively better. However, this year in FY1994 there was a much more diverse, variegated pattern without more obvious East-West divisions.

There were no Northeast states in the top quartile, but five of the 14 Northeast states made it into the second quartile. In the Southeast, on the other hand, half of the 12 states were in the *top* quartile with another two in the second quartile. West of the Mississippi there were two Northwest states in the top quartile and another in the second quartile. Among the 13 Southwest states, four were in the top quartile and four in the second quartile. One might conclude that there was a moderate North-South split this year with states in the South having performed relatively stronger for higher education than states in the North.

### Sector Variations

The purpose of the Grapevine data set is to provide information relative to levels of state support of higher education, and *not* to provide an accurate indication of more discrete elements, such as campuses and sectors. Over time, however, the interest in Grapevine has prompted state higher education agency officials to provide campus figures which are reported in The Chronicle of Higher Education. Some caution is always recommended in using these figures, because they represent only a single revenue source, albeit a critically important revenue source especially in the public sector. Other revenue sources are important, and these include student tuition, local taxes, and other non-tax sources such as lotteries.

Nonetheless, we tentatively examine the state higher education totals, and compare these figures with two areas which have received above average support in recent years. These areas include state aid to community colleges and state support of student financial aid. It is recognized that there was a two percent gain in overall state higher education support in FY1994, compared to FY1992 and a three percent gain over one year from FY 1993. That figure is *weighted* with each state not being treated equally, because the total dollar amount of appropriations varies greatly from California's 4.4 billion dollars down to less than \$100 million each in New Hampshire and in Vermont. This is *not* a statement about the priority given to higher education; rather, it reflects demographics.

If the two-year percentages of gain in all 49 states (less Massachusetts which was non-comparable in FY 1994) are calculated *arithmetically without weights*, it is determined that there was a 4.1% two-year gain, not the weighted two percent figure. Using that unweighted four percent figure, we calculated that there was a 9.7% two-year gain for state aid to community colleges, and there was a 10.9% two-year gain for student financial aid. This would indicate that states are giving a high priority to supporting community colleges and to supporting student financial aid.

With regard to community colleges, in 26 of the 39 states where a separate community college entry could be identified, the two-year percentage gain in community college support was greater than the percentage gain in higher education support generally. In nine states, there was a lower two-year percentage gain figure for community colleges than the states as a whole.

The figures for student financial aid were even more graphic. Student aid could be identified in 33 of the 50 states. In 24 of those 33 states, the two-year percentage of gain for student aid was greater than the two-year percentage gains for higher education generally. In only eight states was student aid support, as measured by two-year percentage gains less than the two-year gain for higher education in general.

This would indicate that states are placing a high priority on providing funding to community colleges and funding to student aid. Community colleges garner strong local support, and are oriented to training and providing skills of value to be used in the job market and to help the state's economy. Community colleges may be viewed as a positive and tangible investment in improving a state's economy. Regarding student aid, with the strong and consistent increases in student tuition prices in recent years, it is relatively clear that states are viewing monetary support to student aid as an important offset to tuition increases. This issue has been covered well in the media and in the literature in recent years, and states have responded quickly with providing additional support to student aid.

### Conclusion

This is a preliminary description and analysis of state higher education support in FY1994. It is clear that after two especially negative years, support to higher education has turned around in a majority of the states. While the gains reported by states this year are not huge by comparison, they are impressive in the aggregate with a near record total of \$40.8 billion dollars having been appropriated to higher education by state governments. The trend in higher education support did not take on a distinctly regional pattern, although a greater proportion of Southern states did somewhat better than did Northern states. The most positive aspects of state support to higher education seem to be the general levels of support in the 12 megastates, except for California, and for community colleges and student financial aid.

## ***Grapevine***

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