

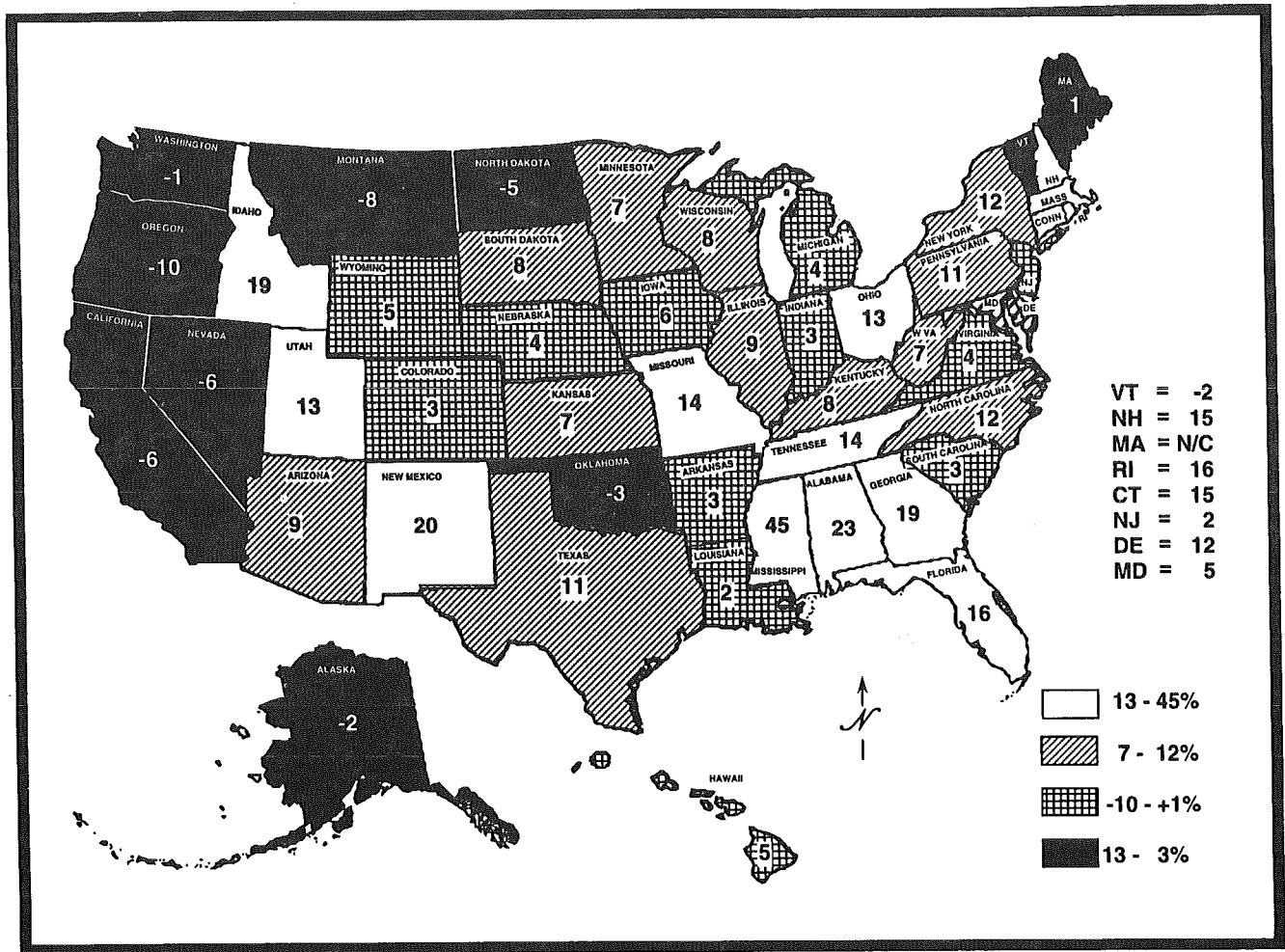
Grapevine

Since 1958

Reports on total state tax effort for higher education, including state tax appropriations for universities, colleges and community colleges.

IN THIS ISSUE

PERCENTAGES OF TWO-YEAR GAINS IN APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF HIGHER EDUCATION IN THE FIFTY STATES, FISCAL YEAR 1995 OVER FISCAL YEAR 1993



State Higher Education Appropriations: A Retrospective of Fiscal Year 1995 3234-3240
by Edward R. Hines

GRAPEVINE

Edward R. Hines, Editor

M. M. Chambers, Founding Editor

Gwen B. Pruyn, Managing Editor

Responsibility for errors in the data or for opinions expressed is not to be attributed to any organization or person other than the editors.

Grapevine is circulated to key persons in the fifty states. Not copyrighted.

APPROPRIATIONS OF STATE TAX FUNDS FOR OPERATING EXPENSES OF HIGHER EDUCATION,
FISCAL YEARS 1984-85, 1992-93, 1993-94, AND 1994-95, WITH PERCENTAGES OF GAIN
OVER THE MOST RECENT ONE, TWO, AND TEN YEARS. (In thousands of dollars)

States	Year 1984-85	Year 1992-93	Year 1993-94	Year 1994-95	1-yr Gain	2-yr Gain	10-yr Gain
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Alabama	550,957	823,940	892,127	1,016,104	14	23	84
Alaska	233,042	174,118	180,340	171,460	- 5	- 2	- 26
Arizona	376,249	608,935	616,728	665,462	8	9	77
Arkansas	249,025	407,501	418,119	418,680	0	3	68
California	4,079,958	5,054,996	4,611,673	4,748,746	3	- 6	16
Colorado	383,718	529,158	534,418	543,690	2	3	42
Connecticut	302,931	433,973	495,818	500,315	1	15	65
Delaware	84,940	122,469	125,969	137,432	9	12	62
Florida	1,027,005	1,461,341	1,585,927	1,695,700	7	16	65
Georgia	611,867	941,363	1,034,858	1,119,936	8	19	83
Hawaii	185,143	367,430	371,720	386,023	4	5	108
Idaho	112,240	190,593	201,334	226,908	13	19	102
Illinois	1,182,158	1,731,010	1,806,438	1,894,531	5	9	60
Indiana	551,232	896,603	918,132	923,508	1	3	68
Iowa	392,984	606,751	625,981	641,207	2	6	63
Kansas	335,869	468,030	484,724	502,354	4	7	50
Kentucky	400,529	609,659	630,650	657,609	4	8	64
Louisiana	550,707	575,641	567,580	589,578	4	2	7
Maine	91,311	172,152	172,451	173,020	0	1	89
Maryland	487,691	751,949	748,687	788,187	5	5	62
Massachusetts	641,844	650,187	826,995	902,934	9	Not comparable	
Michigan	1,005,082	1,552,305	1,559,304	1,607,578	3	4	60
Minnesota	643,179	965,288	1,008,028	1,030,819	2	7	60
Mississippi	338,906	434,246	458,989	628,607	37	45	85
Missouri	400,868	590,505	610,670	672,839	10	14	68
Montana	107,362	123,228	117,551	113,156	- 4	- 8	5
Nebraska	213,337	353,847	358,249	369,565	3	4	73
Nevada	78,645	207,572	194,219	194,439	0	- 6	147
New Hampshire	42,630	74,026	80,415	85,324	6	15	100
New Jersey	695,045	1,229,727	1,270,865	1,259,340	- 1	2	81
New Mexico	250,021	364,895	393,353	437,502	11	20	75
New York	2,356,410	2,774,114	2,950,911	3,106,507	5	12	32
North Carolina	960,343	1,541,926	1,630,179	1,723,312	6	12	79
North Dakota	110,534	151,190	143,864	143,864	0	- 5	30
Ohio	974,042	1,378,612	1,471,174	1,559,722	6	13	60
Oklahoma	367,617	557,531	538,565	540,887	0	- 3	47
Oregon	281,483	485,482	428,099	434,654	2	-10	54
Pennsylvania	988,876	1,425,993	1,514,498	1,580,984	4	11	60
Rhode Island	96,051	107,628	112,911	125,034	11	16	30
South Carolina	451,041	618,408	624,248	634,463	2	3	41
South Dakota	61,998	104,713	111,031	112,923	2	8	82
Tennessee	495,749	761,543	829,302	864,461	4	14	74
Texas	2,364,774	2,802,348	3,188,362	3,109,347	- 2	11	31
Utah	235,799	350,936	366,493	397,539	8	13	69
Vermont	41,763	54,089	52,936	53,222	1	- 2	27
Virginia	713,654	934,990	949,548	976,899	3	4	37
Washington	590,585	953,081	962,625	942,842	- 2	- 1	60
West Virginia	220,340	284,606	296,914	303,874	2	7	38
Wisconsin	617,958	902,988	936,156	979,269	5	8	58
Wyoming	109,072	122,152	124,694	128,681	3	5	18
Totals	28,644,564	39,785,768	41,134,822	42,821,037			
Weighted Percentages of Gain					4	8	49

A RETROSPECTIVE OF FISCAL YEAR 1994-95

By Edward R. Hines

Current Trends in Gains

In FY1994-95, support for higher education by the state governments continued a turnabout trend which began in FY1993-94. This reversal is shown in Table 1. After two years in which the increases in appropriations were less than a billion dollars per year and one year (FY1993) when, for the first time on record, there was a decrease from the preceding year, states were able to increase their fiscal support for higher education in FY1993-94 and FY1994-95. Concomitantly, the one-year and two-year percentages of gain increased after the decline in FY1993.

Table 1: Changes in Appropriations in Dollars and Percentages for All States, FY1984-85 to FY1994-95

<u>Fiscal Years</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Appropriations (\$billions)	28.6	30.6	32.2	34.4	36.6	39.1	39.6	40.1	39.8	41.1	42.8
1-Yr Gain (\$billions)	2.7	2.0	1.6	2.2	2.2	2.5	0.5	0.5	- 0.3	1.3	1.7
1-Yr Gain (Percent)	10.4	7.0	5.2	6.8	6.4	6.8	1.3	1.3	- 0.7	3.3	4.1
2-yr Gain (Percent)	17.7	18.1	12.6	12.4	13.7	13.7	8.2	2.6	0.5	2.5	7.5

Another feature of the current fiscal year is that, for the first time, total appropriations exceeded \$42 billion. Figure 1 demonstrates that in 1992, state support for higher education climbed to the \$40 billion mark, then slipped back under \$40 billion in 1993, went to \$40.8 billion in 1994, and surged to \$42.8 billion in 1995.

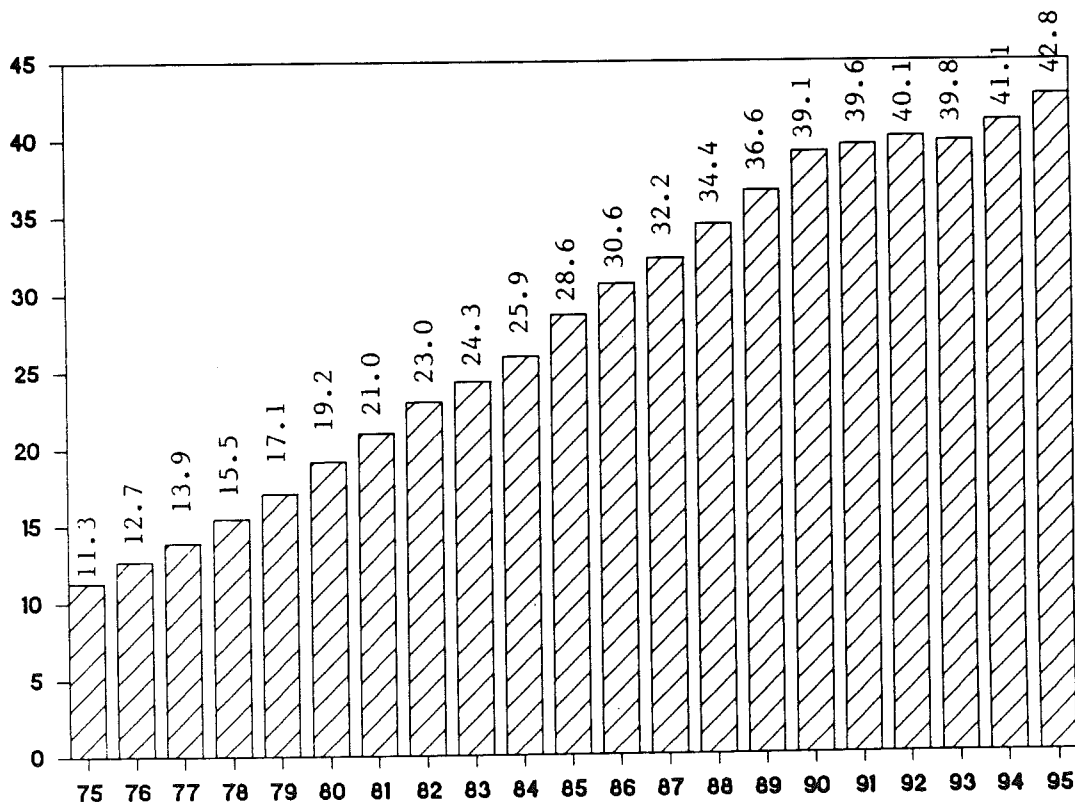


Table 2: Rankings of Two-Year Gains

STATES	2-YR GAIN (%)
Mississippi	45
Alabama	23
H New Mexico	20
I Idaho	19
G Georgia	19
H Rhode Island	16
E Florida	16
S Connecticut	15
T New Hampshire	15
Missouri	14
Tennessee	14
Utah	13
Ohio	13
Delaware	12
New York	12
North Carolina	12
S Texas	11
E Pennsylvania	11
C Illinois	9
O Arizona	9
N Wisconsin	8
D Kentucky	8
South Dakota	8
Kansas	7
Minnesota	7
West Virginia	7
Iowa	6
Wyoming	5
Hawaii	5
Maryland	5
T Virginia	4
H Nebraska	4
I Michigan	4
R Indiana	3
D Colorado	3
Arkansas	3
South Carolina	3
Louisiana	2
New Jersey	2
Maine	1
Washington	-1
L Alaska	-2
O Vermont	-2
W Oklahoma	-3
E North Dakota	-5
S California	-6
T Nevada	-6
Montana	-8
Oregon	-10
Massachusetts	Not comparable

Moving from the nationwide picture to the individual states, the third distinctive feature of state support this year is there was a smaller number of declines in percentages of gain than in the early 1990's. From 1991 to 1993, many states experienced not only rapid slowdowns in increases in state support, but also actual declines in state support. In one-year percentages of gain, 22 states had decreases in FY1992, 17 states in FY1993 and eight in 1994. The table on page 3234 shows that, in FY1995, there were five states with negatives and five more with zero in one-year percentages of change. Similarly, in two-year percentages of gain, there were 11 states with declines in FY1994 and nine states in FY1995.

The ten-year percentages of gain have been the least-studied aspect of these figures. A decade ago, it was common to see a doubling in percentage gains over 10 years, but that rate of increase began to fall in the late 1980s and, especially, in the early 1990s. As shown in column 8 of the 50-state table, all states have slipped to less than 100 percent except for Hawaii, Idaho, Nevada and New Hampshire, with Nevada leading the nation at 147%. However, two states have fallen to single-digit increases over 10 years (Louisiana and Montana) and 13 states had less than 50 percent. This number includes some of the megastates which appropriate more than one billion dollars annually (California, New York and Texas). Five of the 13 megastates had 10-year percentage gains of 60% (Illinois, Michigan, Minnesota, Ohio and Pennsylvania).

Two-year Gains: Table 2 shows the states in descending order of percentages of two-year gains. All of the states in the top quartile had gains in excess of 12%, ranging from Mississippi--which led the nation with nearly 45%--to Alabama and New Mexico with two-year gains in the "twenties," to the remainder in the "teens." Nearly half of the states in the second quartile had gains greater than 10 percent. At the opposite end, all of the states in the lowest quartile except Maine had declines; however, the declines were smaller than in the most recent two years (single-digits except for Oregon).

Grapevine has traditionally used the percentages of two-year gains as a measure of "how well the states are doing." If the percentage of two-year gain is larger than it was the preceding year, the state is "doing better" than the year before. The summary in Table 3 indicates that more states are "doing better," than has been the case since 1990 and for the two years shown before 1990. In FY1995, 31 states (62% of the 50 states) had two-year gains that were higher than the two-year gains in FY1994. Sixteen states (32%) had two-year gains that were lower than in FY1994.

Table 3: Increasing, Identical and Decreasing Two-year Percentage Gains, Compared with the Preceding Year.

Fiscal Year	1988	1989	1990	1991	1992	1993	1994	1995
Increasing	17	26	31	17	7	11	28	31
Decreasing	28	20	15	26	40	32	17	16
Identical	5	4	4	7	3	7	4	3

The Megastates

This group of 13 states includes those which have large resident populations, comparatively stronger industrial wealth and business activity and large systems of public higher education. As shown in Table 4, these 13 states appropriated \$25.5 billion or 59.6 percent of the nationwide total. California leads the nation with an appropriation approaching \$5 billion; until the declines of 1993 and 1994, California's appropriations had exceeded \$5 billion. Two states with slightly more than \$3 billion each are Texas and New York. Six of the megastates are clustered at between \$1.5 billion and \$1.9 billion. Illinois leads this group, followed in descending order by North Carolina, Florida, Michigan, Ohio and Pennsylvania. Three states are closer to \$1 billion, including New Jersey, Georgia and Alabama. Alabama is a new addition to the list, having appropriated more than one billion dollars for the first time in FY1995.

Because of the relative sizes of their higher education appropriations, one might hypothesize that, "As go the megastates, so goes the nation." That seems to hold true this year since the megastates' picture is reasonably positive. In two-year percentage gains, four megastates are in the top quartile (Alabama, Georgia, Florida, and Ohio), and six are in the second quartiles (New York, North Carolina, Texas, Pennsylvania, Illinois and Minnesota), for a total of ten states in the upper half. Michigan and New Jersey are in the third quartile. Only California is in the negative category at -6 percent and that is a great improvement over California's -25% last year. The weighted average percentage of gain over two years for the megastates was 7 and for the 50 states it was 8. In one-year percentages of gain the megastates are more typical of the nation as whole with the weighted average at 4 percent for both the megastates and the 50 state total. Notice in Table 4 that 10 of the states cluster around the average. Only Alabama is in the top ten of the one-year gainers and only New Jersey and Texas are in the negative category.

Table 4: Changes in Dollars and Percentages for Megastates

Megastates	FY1992-93	FY1993-94	FY1994-95	Percentages of Gain	
				1-yr	2-yr
Alabama	823,940	892,127	1,016,104	14	23
California	5,054,996	4,611,673	4,748,746	3	- 6
Florida	1,461,341	1,585,927	1,695,700	7	16
Georgia	941,363	1,034,858	1,119,936	8	19
Illinois	1,731,010	1,806,438	1,894,531	5	9
Michigan	1,552,305	1,559,304	1,607,578	3	4
Minnesota	965,288	1,008,028	1,030,819	2	7
New Jersey	1,229,727	1,270,865	1,259,340	- 1	2
New York	2,774,114	2,950,911	3,106,507	5	12
North Carolina	1,541,926	1,630,179	1,723,312	6	12
Ohio	1,378,612	1,471,174	1,559,722	6	13
Pennsylvania	1,425,993	1,514,498	1,580,984	4	11
Texas	2,802,348	3,188,362	3,109,347	- 2	11
Megastates					
Totals/Gains	23,682,963	24,524,344	25,452,626	4	7
National					
Totals/Gains	39,785,808	41,134,822	42,821,038	4	8

Regional Variations

One of the most noteworthy observations to be made about these data is their regional variations. As in the past, the 50 states were divided into four quadrants. The Mississippi River divides the east from the west. The Ohio River and the Pennsylvania border separates the 13 northeastern states from the 12 southeastern states. There are 11 states in the northwest, including Alaska, and 13 states in the southwest, including Hawaii. The quartiles of two-year percentages of gain (Table 2) were used to determine the geographic distributions of gains and losses as shown in Table 5.

There is a marked difference between the picture which emerged this year from that of last year. Last year, there was a predominant split between the north and south. Only two northern states appeared in the top quartile, while there were 10 southern states in the top quartile. This year there is an east-west split. The southeast continues to show strength with nine states in the top two quartiles, three in the third quartile and none in the lowest quartile. In the northeast the shift was more striking; the top quartile went from zero to 4 states, putting eight states in the top half as compared with five states in the top half last year. Comparing the distribution among the western states, there were 9 in the top half this year and 11 in the top half last year and there were 15 in the bottom half this year and 13 in the bottom half last year.

Table 5: Quartiles and Quadrants-Two-Year Changes

Quartiles	Quadrants				Totals
	NW*	SW**	NE	SE	
Highest	1	3	4	5	13
Second	2	3	4	4	13
Third	3	4	3	3	13
Lowest	5	3	2	0	10
Totals	11	13	13	12	49

*Includes Alaska

**Includes Hawaii

Note: Massachusetts is not included because the appropriations data for FY1995 are not comparable with that of two years earlier.

Sector Variations

These data provide detail about total levels of state tax support for higher education. The more discrete sector and campus figures are of increasing interest to policymakers and researchers, but caution must be used in interpreting those data. One major limitation is that they represent only one source of revenue, state taxes. A more complete analysis would need to include other revenue sources, such as local taxes and student tuition. Three areas which have received attention recently are state support of financial aid for students and state support of community colleges.

Financial aid to students: In the reports from 36 states, student aid could be identified. The aggregate appropriation was \$2.3 billion (5% of the nationwide total) and the two-year gain was 16%, significantly larger than the 8% two-year gain for the nation. In three-fourths (27) of these states, the two-year percentage gain for student aid exceeded the gain for the state as a whole.

Community Colleges: Percentages of two-year gain have been calculated for the community colleges using two classifications. One is those colleges which receive both state and local taxes (State-aided Comm Colls) and the other is those which do not receive local tax support (State Comm Colls). The impact of California's - 27% influenced the weighted averages of gain so much, that the gains were also calculated omitting California. Without California, the two-year gain for both types of community colleges was 11%. In the 41 states where community colleges were identified, 26 had larger two-year percentages gains for community colleges than for the state as a whole; 13 had smaller gains for community colleges and two were identical. Of the 13 states which had smaller gains for community colleges than for the state as a whole, nine are in the "state-aided" category, three are in the "state comm coll" category, and one state (New York) has both types of community colleges.

Conclusions

State support for higher education experienced its lowest levels of increase, since this report began in 1958, during FY1991-92 and FY1992-93. In FY1992-93, in fact, there was the first decline on record of states appropriating less for higher education nationally than they did the previous year. More specific reasons for this unusually low level of support are contained in State Higher Education Appropriations 1992-93 and State Higher Education Appropriations 1993-94 by Edward R. Hines and published by the State Higher Education Executive Officers, Denver, Colorado.* The most recent two years, FY1993-94 and FY1994-95, have been witness to what could be termed "a turnabout" in state higher education support. These data present the first picture nationally of this trend.

The chief characteristics of this turnabout in levels of support include that, in the current year, the amount of state support for higher education exceeded \$42 billion nationally for the first time; the increases in support over one and two years were the largest in both dollars and in percentages of gain which have been experienced thus far in the 1990s; and the number of states with increasing two-year percentage gains was the largest (31) since reported in 1990. There was an increase in "megastates" to 13, and 11 of these 13 states reported positive one-year percentage gains while 12 of the 13 megastates had positive two-year percentage gains.

Regionally, there was an east-west split with a substantial number of states in both the northeast and southeast regions having experienced strong two-year percentage gains in state higher education support. The 16 percent two-year gain for student financial aid (reported in 36 states) was substantially greater than the eight percent two-year percentage gain for the entire nation. The two-year percentage gains for state support of community colleges were three percentage points ahead of the eight percent gain for the nation over the two years, and both types of community colleges (state and state-aided) showed equal two-year percentages of gain when California was omitted.**

While this turnabout in state higher education support is noteworthy, to be sure, it does not signal a return in levels of increase in state tax support which had been experienced in earlier years. These two years of very low state tax support in combination with the hope that increases in state support will parallel the cost of living increase, presage a period in higher education which will be characterized more by reallocation of resources than the expectation of sizeable annual increases. Campuses have responded to this "new fiscal reality" by evaluating programs and services, reallocating resources based on assigned priorities, and targeting available resources to areas of specific need.

What the Figures Are Intended to Mean: On the next page are enumerated the ground rules used to achieve an approach to uniformity of reporting. Diversities of practices among the 50 states make it impossible to eliminate all inconsistencies and to accomplish absolute comparability among states and among institutions. We emphasize that comparisons are useful only if the data are correctly interpreted.

*The 1994-95 edition of this publication should be available about February 1995. After the first of the year, more information will be available from SHEEO, 707 17th Street, Suite 2700, Denver, CO 80202-3427, (303)299-3686, FAX (303)296-8332.

**The next issue of Grapevine will contain more information about state appropriations to community colleges. Historic data are available from ERIC.

WHAT THE FIGURES ARE INTENDED TO MEAN

Data represent only appropriations; not actual expenditures.

Data represent only appropriations for annual operating expenses of institutions of higher education.

Including:

- o appropriations to universities and colleges. In complex universities, reported separately are sums appropriated for (or allocated to) the main campuses, branch campuses, and medical centers. The medical center item includes operation of colleges of medicine, dentistry, pharmacy, nursing, and teaching hospitals, either lumped as one sum or set out separately.
- o appropriations for state aid to local public community colleges and for operation of state-supported community colleges, and for vocational-technical two-year colleges or institutes which are predominantly for high school graduates and adult students.
- o appropriations for statewide coordinating boards or governing boards, either for board expenses or for allocation by the board to other institutions or both.
- o appropriations for state scholarships or other student financial aids.
- o sums destined for higher education, but appropriated to some other state agency. Examples: funds intended for faculty fringe benefits may be appropriated to the State Treasurer and disbursed by that office; certain funds for medical and health education may be appropriated to the state department of health and disbursed from that department. Sometimes these sums have to be estimated because the exact amount disbursed cannot be known until after the end of the fiscal period.
- o appropriations directed to private institutions of higher education at all levels.

Excluding:

- o appropriations for capital outlays and debt service.
- o appropriations of funds derived from federal sources, student fees, auxiliary enterprises, and other non-tax sources.

Grapevine

Center for Higher Education
Illinois State University
Campus Box 5900
Normal, IL 61790-5900

Address correction requested

NON-PROFIT ORG
U S POSTAGE PAID
ILLINOIS STATE
UNIVERSITY