

Higher Education Funding in the 50 States: 1-Year, 2-Year, and 10-Year Trends

Peter Zetterberg, Institutional Research and Reporting, December 22, 2004

Introduction

Funding for higher education in the 50 states is carefully tracked by the College of Education at Illinois State University in a project and database known as Grapevine. This is the standard data source that everyone uses to follow higher education funding trends.

In the December 17, 2004 issue, the Chronicle of Higher Education did its annual story on higher education funding using Grapevine data. The Chronicle described the Grapevine data as follows.

“Note: These figures, reported by James C. Palmer for the National Database of State Tax Support for Higher Education, reflect state tax funds appropriated for operating expenses for colleges and universities, for student aid, and for state higher-education agencies. The figures do not include appropriations for capital outlays and debt service. State "tax efforts" supporting higher education should not be confused with "state spending" for higher education. The figures exclude state allocations to higher education that derive from lotteries, tobacco settlements, tuition payments, interest income, and other nontax sources. The figures do not include appropriations from local governments. The amount of appropriations may be changed in some states because of increases or decreases in revenue. Percentages shown are rounded to one decimal. Rankings are based on unrounded figures. Different budgeting practices among the states make it impossible to eliminate all inconsistencies and ensure absolute comparability among states and institutions. For more information, see the project's Web site (<http://coe.ilstu.edu/grapevine>).”

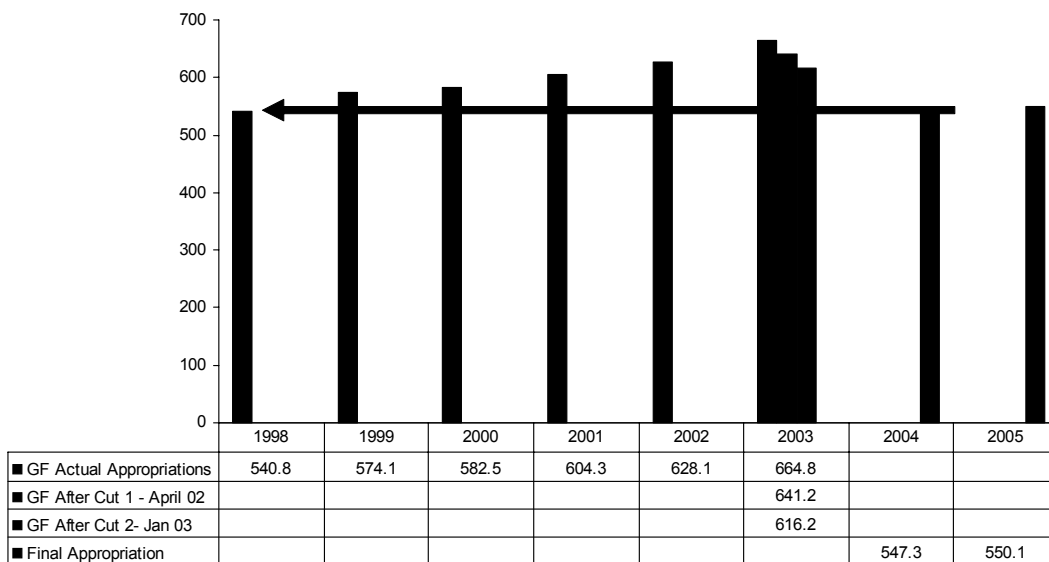
Among other things, the Chronicle story included a graphic figure showing that Minnesota's one-year funding increase (FY04 to FY05) of -1.1 percent ranked 47th among the 50 states. It also reported that Minnesota's two-year funding increase (FY03 to FY05) of -3.8 percent ranked 42nd among the 50 states.

Although these figures are correct, they are also misleading in that they greatly understate what happened in Minnesota and many other states over the period FY03 to FY05. This is because FY 2003 was a very unusual year. There were significant budget reductions during the year that should also be considered. This is a point that Vice President Pfutzenreuter has emphasized in his presentations to the Board of the University's annual budgets for FY 2004 and FY 2005 using Figure 1 below. As indicated, the University's original higher education appropriation for FY 2003 was reduced twice, from \$664.8 million to \$641.2 million in April, 2002 and then again from \$641.2 million to \$616.2 million in January, 2003. Funding for MnSCU and overall funding for higher education in Minnesota was also reduced by comparable amounts.

Since the Grapevine data incorporates revisions to state appropriations in its reports (i.e., reductions or additions), the figure used for Minnesota for FY 2003 in the Chronicle story is the lower amount, which minimizes the change from FY03 to FY05. The FY 2003 figure shown is the final year-end appropriation, while the FY 2005 figure shown is the initial appropriation.

It is only possible to see what actually happened in Minnesota and other states by comparing the initial appropriation for FY 2005 with the initial appropriation for FY 2003.

Fig. 1 Actual State General Fund Appropriations 1995 to 2003 and Appropriated FY2004 and FY2005



The Story

The story is shown in the three figures at the end of this report.

Figure 2 shows the one-year change from FY04 to FY05. This is the same figure used in the Chronicle story.

Figure 3 shows the two-year change from FY03 to FY05 using the initial appropriations for these years. Note that for Minnesota the number used is the appropriation following the April 2002 reduction, which is fair, since this was before the start of the fiscal year. This is also the number that the Department of Finance and Governor Pawlenty have used.

Figure 4 shows the 10-year change from FY95 to FY05. Note that data for Louisiana and Georgia is not available because of changes in how higher education is funded in these states.

Analysis

As shown in Figure 3, funding for higher education in Minnesota was actually reduced by 10.3 percent from FY03 to FY05, and the situation was worse in only six other states: Maryland, Massachusetts, Michigan, West Virginia, South Carolina, and Colorado, which will probably be the first state to privatize higher education because of the state's Tax Payer Bill of Rights constitutional amendment.

As shown in Figure 4, Minnesota also ranks poorly in funding for higher education over the past 10 years. The increase in Minnesota over this period of 23.5 percent ranked Minnesota 41st. Note that during this period enrollment in Minnesota's public institutions increased by more than 10 percent.

One other problem with the way Grapevine trend data is most commonly used (i.e., in the Chronicle story) is that it includes only state funding for higher education and ignores local tax support. The Grapevine does attempt to gather local tax data, but it is very difficult to collect and has not been updated since tax year 2002. Twenty five states use local taxes to support technical and community colleges, and when these amounts are included the rankings of states changes significantly. Wisconsin, for example, where most support for technical colleges comes from property taxes (more than \$500 million), climbs about 10 spots up the ranking pole when local taxes are included. More than 25 percent of tax payer support for higher education in Wisconsin comes from property taxes.

Conclusion

How does funding for higher education in Minnesota compare with funding in other states? Specifically, how should the University use this data in discussions with state policy makers?

- In FY 2005, Minnesota ranks 15th in funding for higher education. In FY 1995 it ranked 12th.
- In FY 2005, Minnesota ranks 25th in tax effort for higher education (i.e., appropriations per \$1,000 in personal income).
- In FY 2005, Minnesota ranks 16th in appropriations for higher education per capita.
- Over the two-year period FY03 to FY05 (initial appropriations), funding for higher education in Minnesota was reduced by 10.3 percent. Reductions were only greater in six other states, including Wisconsin, although Wisconsin's situation would improve if local taxes were considered.
- Over the ten-year period FY95 to FY05 Minnesota ranked 41st in increasing funding for higher education, even though enrollment in public institutions increased by more than 10 percent.

Fig. 2 1-Yr Change in Appropriations: FY03 Final - FY05 Initial

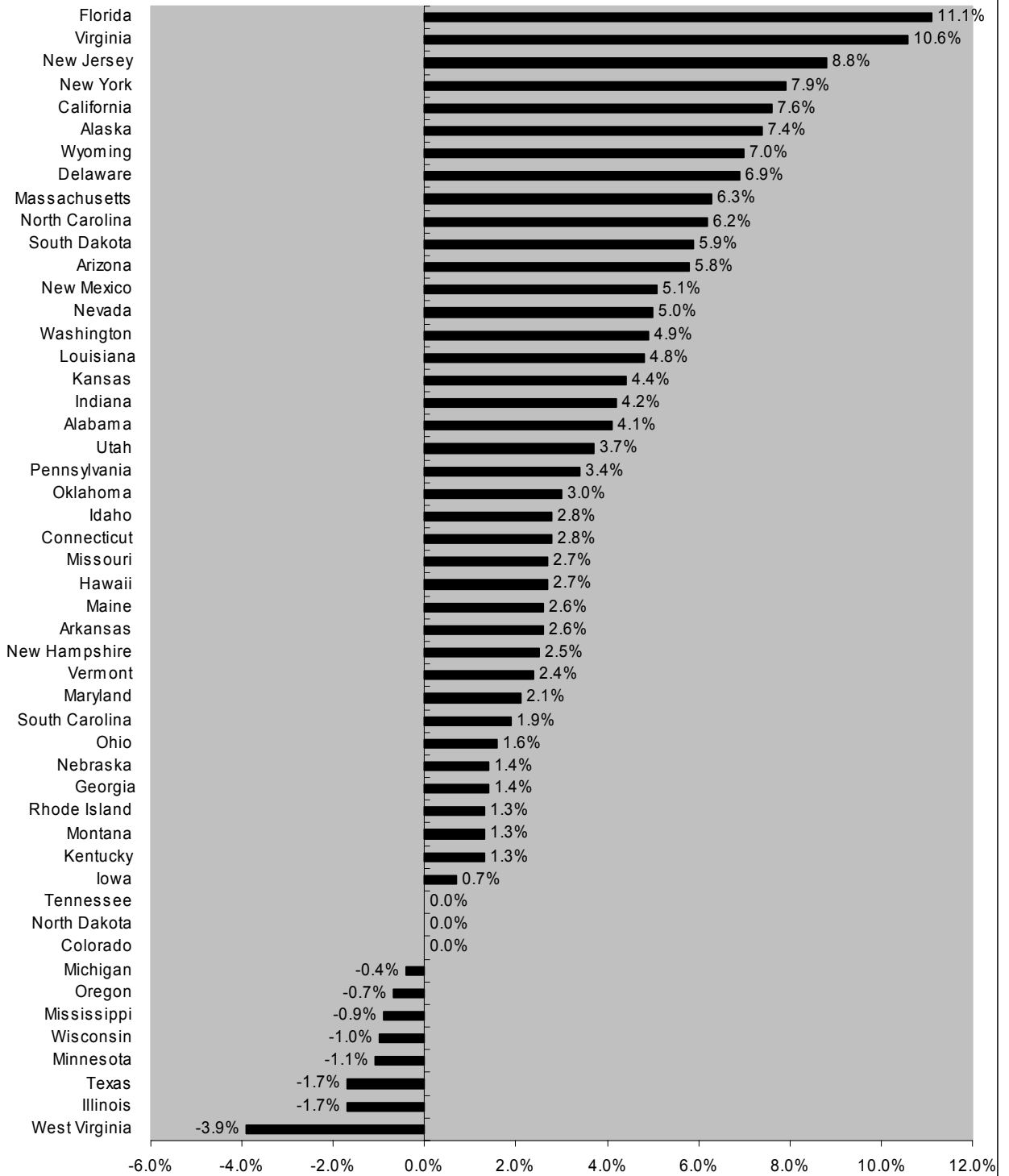


Fig. 3 2-Yr Change in Initial Appropriations: FY03 Initial - FY05 Initial

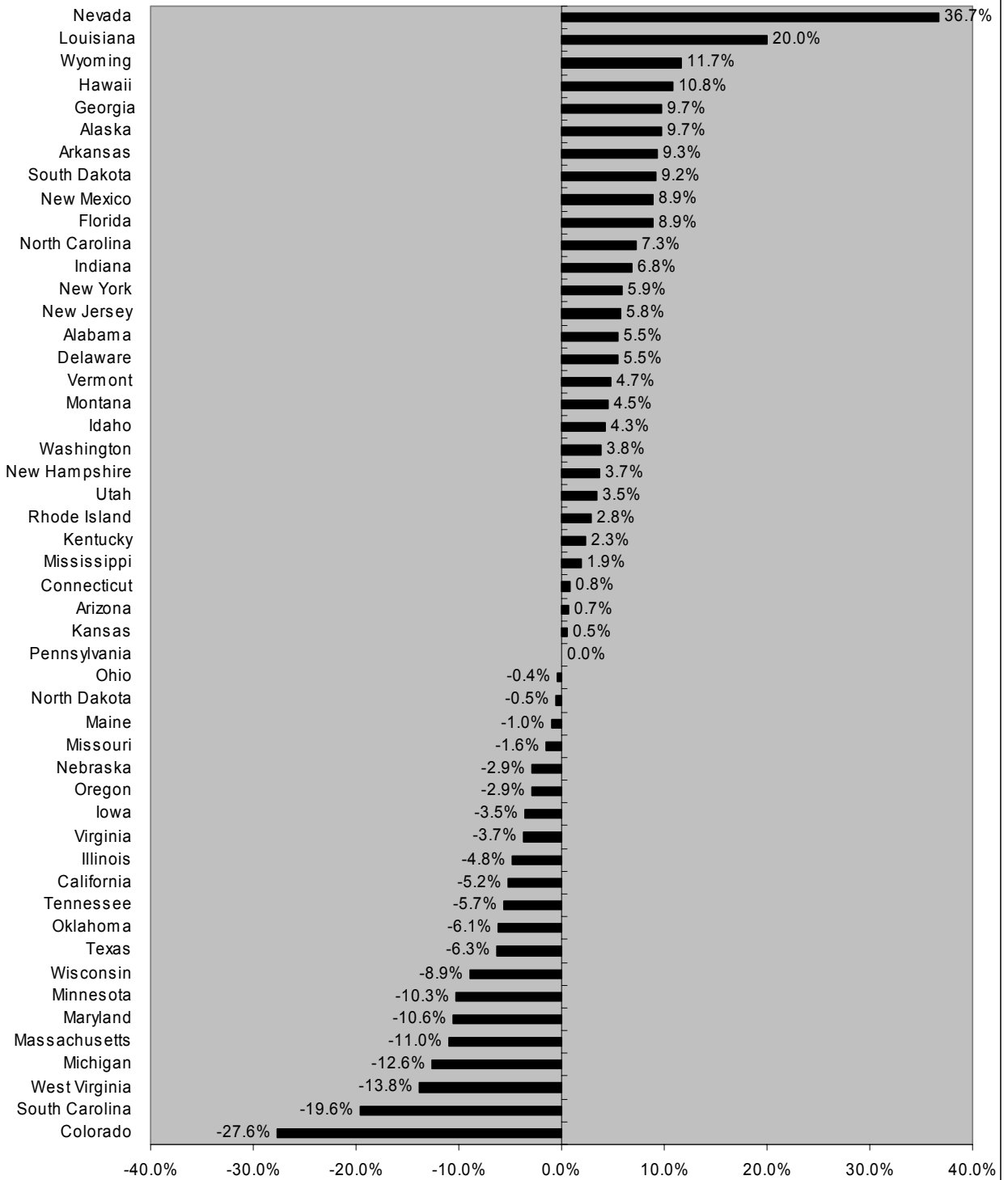


Fig. 4 10-Yr Change in Appropriations: FY03 Final - FY05 Initial

