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SHEEO RELEASES
STATE HIGHER EDUCATION FINANCE FY 2013

The embargoed report is available here.

On April 21, 2014, the full report and supplemental documents will be available on the SHEEO website here.

Boulder, Colorado – The association of State Higher Education Executive Officers (SHEEO) has released its annual State Higher Education Finance (SHEF) report, which provides a comprehensive review of state and local funding, tuition revenue, and enrollment trends for public higher education—which enrolls and educates nearly three-fourths of all students in American postsecondary education programs.

This is the fifth SHEF report since the 2007-2008 academic year when state and local support for higher education was $88.8 billion, enrollment in public institutions reached 10.3 million full-time equivalent students, and the national economy entered what would become the greatest economic downturn since the Great Depression. In each of the last three SHEF reports, the per-student state and local support kept falling in constant dollars. But 2012 may have been the overall low point. In 2013, there is evidence that a period of economic recovery has begun. State and local funding for higher education increased 0.7% to $78.8 billion, with most of the growth coming from local appropriations. Although this increase was offset by inflation, enrollment declined by 2.4% to 11.3 million—another possible sign of economic recovery because enrollment often tends to run counter-cyclical to the economic cycle, especially for community colleges—so that educational appropriations per FTE student increased 1.4% to $6,105. These data indicate that recovery has begun, albeit more slowly than after the recession of the early 2000s, when educational appropriations per student increased 5.0% during the first year of recovery. There was considerable variation among states, with 20 still experiencing reductions in educational appropriations in 2013 from levels that prevailed in 2012.

Adjusted for inflation, total educational revenue (net tuition plus state and local funding) per student dropped by 6.2 percent, from $12,248 in 2008 to $11,492 in 2013. Net tuition revenue per student reached $5,445 in 2013, an all-time high and an increase of 3.5% over 2012. Tuition revenue increased despite an overall decline in enrollment and increasing state and local support, suggesting that tuition does not increase only in response to state funding cuts but also is responsive to general inflation, the need to increase faculty and other salaries after years of pay freezes or reductions, and other cost factors. Over the past 25 years, the percentage of educational revenue supported by tuition has climbed steadily from 23.8 percent in 1988 to 47.4 percent in 2013. Nationally, this measure is quickly
 approaching 50%, highlighting financial affordability for students as a major and growing issue, particularly for lower income students and their families.

Despite the increase in educational appropriations in 2013 and continued increases in net tuition revenues, total revenue per FTE remains 6.2% below the 2008 pre-recession level. Fourteen states are above their pre-recession total educational revenue per FTE funding level.

Data collected through the *Grapevine* survey (online at [www.grapevine.ilstu.edu](http://www.grapevine.ilstu.edu) and in *Grapevine* Tables 1 and 2 in Appendix A of this report) show Fiscal Year 2014 state tax support grew 5.7%, providing continuing evidence of recovering state revenues.

In this eleventh annual report, the SHEEO study of state higher education finance analyzes state and local funding, net tuition, and enrollment trends to provide a comprehensive overview of state higher education finance. It complements the long-standing *Grapevine* survey of higher education appropriations released by Illinois State University. The data and analysis of this and future SHEF reports are intended to help higher education leaders and state policymakers focus on how discrete, year-to-year decisions fit into broader patterns of change over time, and to help them make decisions in the coming years that will meet the longer-term needs of the American people.

**Commentary**

“2013 showed the first real glimmers of financial improvement for the nation’s public colleges and universities since the onset of the Great Recession,” said George Pernsteiner, president of SHEEO. “It also saw a moderation in the rate of growth of public college and university tuition rates.” But the overall reduction in student enrollment also should be seen against the ambitious education attainment goals recently adopted by many states and called for at the national level by President Obama. Such reductions in student numbers suggest that the states and the country will have to redouble efforts to educate hard-to-serve students and to find ways to ensure that a higher proportion of those students who do enroll go on to complete their degrees.

Teresa Lubbers, chair of the SHEEO Executive Committee and commissioner of higher education in Indiana, also cautioned that affordability for students is and will remain a principal issue for public colleges and universities throughout the country. “At a time when higher education is more important than ever, we must ensure that students can afford to attend and complete college. This highlights the critical role that need-based student financial aid must play in the strategies of every state. At the same time, colleges and universities must find ways to increase student success as measured by degree completion and demonstrated learning and proficiency.”

Bob King, SHEEO Executive Committee vice chair and president of the Kentucky Council on Postsecondary Education, emphasized the increasing share of educational cost being borne by students, now approaching 50% as a national average and much higher than that in many states. “As states have shifted their limited resources to other parts of their budgets, such as corrections, K-12 education, employee pensions, and health care, public colleges and universities have been forced to place an increasing share of the cost of education on students and their families. This is not sustainable in an era when more and more students from lower income families need to attend and graduate from college. Colleges need to find ways to reduce costs but states also must find ways to direct more funding to support their students.”

SHEEO Treasurer Andy Tompkins, the president of the Kansas Board of Regents, pointed to the uneven recovery among states in financial support for public higher education. “Like the nation’s overall economic recovery, recovery for public higher education has been very different in different regions and states. Many states continued to reduce support in 2013 even as others (and the national average) improved slightly. There is no national pattern yet and the
The fragility of the economy’s recovery in many parts of the United States suggests that the problems that plagued states, colleges and universities, and students during the recession could continue in some localities.

As Paul Lingenfelter, recently retired president of SHEEO noted, “State policymakers should give more attention to the size and effectiveness of state and institutional student assistance programs in providing access and adequate support for full-time enrollment in postsecondary education. The evidence overwhelmingly indicates that students who cannot afford to attend full time or nearly full time have unacceptable rates of degree completion.” Recent studies have underscored this point and SHEEOs and others have developed redesigned financial aid programs to provide students with both the help and the incentives needed to increase their course taking and speed their way to graduation. But, in so doing, states and the nation cannot reduce access for postsecondary education if the needs of states and of citizens are to be fulfilled.

As suggested in the conclusion of the FY 2013 State Higher Education Finance study, the financial realities outlined in this report and the larger economic challenges facing the American people cannot responsibly be ignored. The nation, the states, and educators must come to grips with these realities and create effective responses to them. Colleges and universities must find ways to reduce student attrition, the cost of instruction, and time to a degree, while improving instruction and learning and increasing the number of students who graduate ready to be productive citizens. Parents, students, institutions, and states must make tough decisions about priorities—choosing those investments that are essential for a better future and determining where we can reduce spending on the non-essential in order to secure what is essential for our future as a successful society. There are no easy answers and technology, while an enabler of both learning and cost containment, is not a solution in itself. Hard work needs to be done by colleges and universities to improve learning, advance student success, reduce cost, and enhance affordability for students who lack financial means. But just as students and their families cannot afford to pay ever higher prices for higher education, neither can colleges and universities be expected to educate more students, educate them better, and educate them at a lower average cost without significant investments by states in programs and financial aid and the by the federal government in financial aid. All are partners in this enterprise and all must strive to make the enterprise successful. Our personal futures, the futures of our states, and the future of our nation depend on it.

The educational and economic edge the United States once enjoyed in comparison to other nations is eroding rapidly. Sound judgments about priorities and an extra measure of commitment and creativity are needed in order to regain our educational and economic momentum. The 2013 SHEF Report depicts what was but points out, too, that the funding strategies and patterns of the past will not be up to the task of regaining that momentum.

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The State Higher Education Executive Officers is the national association of the chief executives of statewide governing, policy, and coordinating boards of postsecondary education.

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