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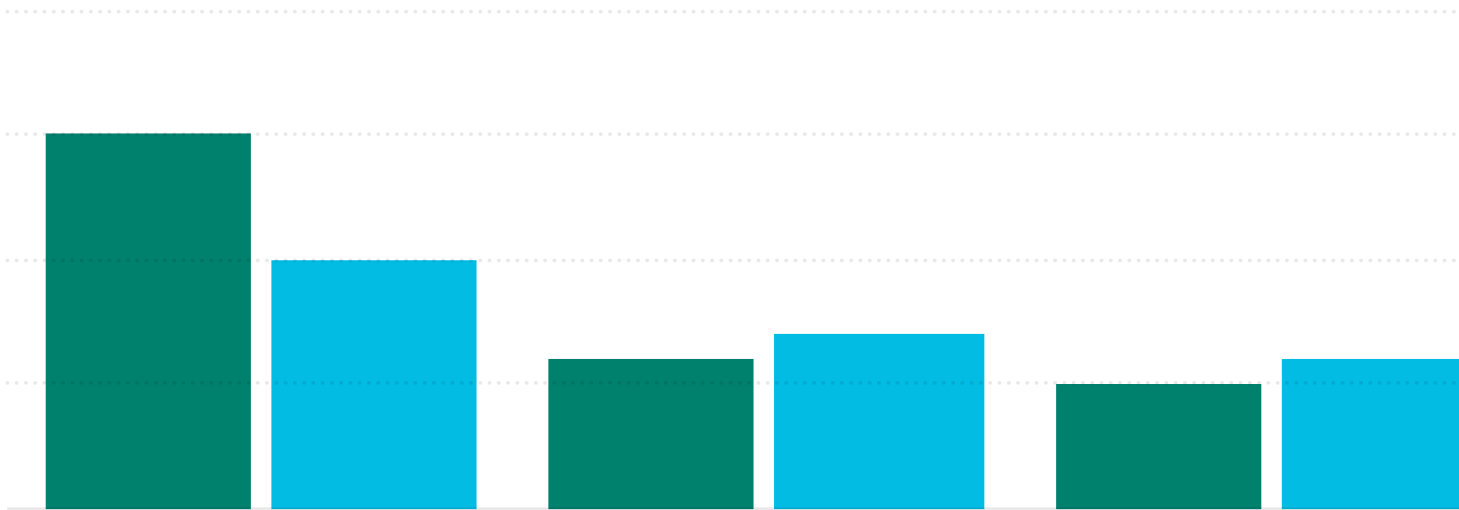
STATE HIGHER EDUCATION FINANCE

2016

ISSUE BRIEF:

SOURCES AND USES OF PUBLIC FUNDING FOR HIGHER EDUCATION

SOPHIA LADERMAN



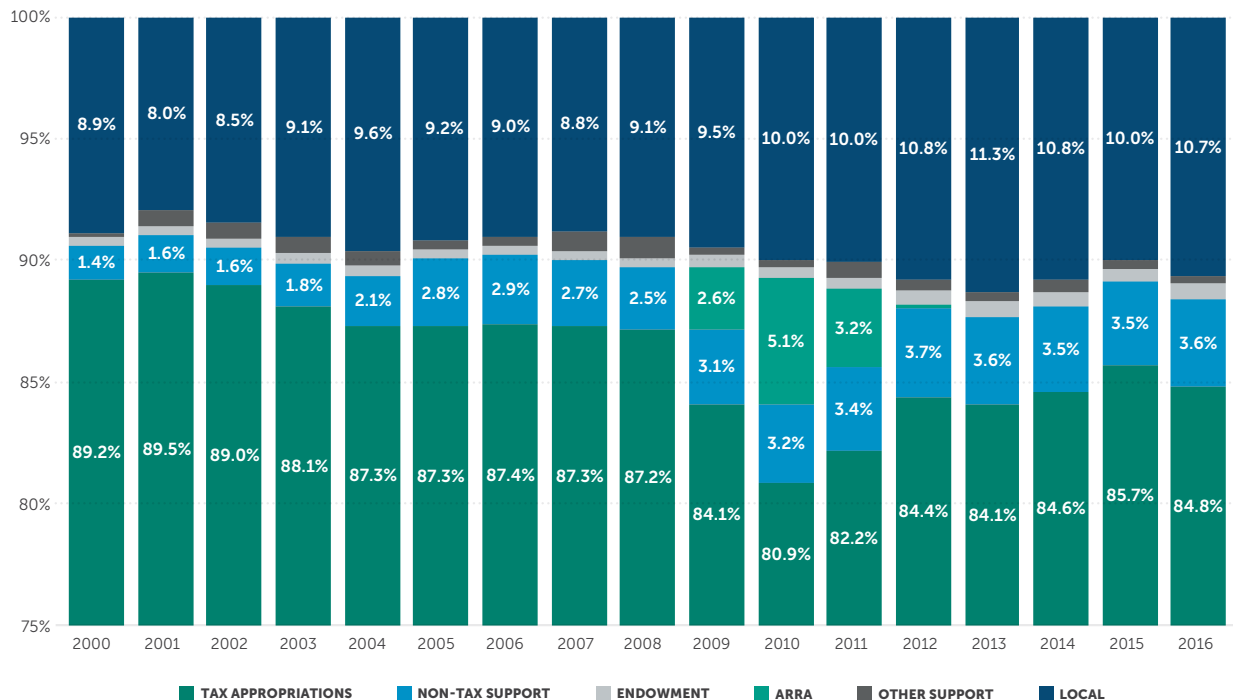
SOURCES AND USES OF PUBLIC FUNDING FOR HIGHER EDUCATION

This case study further explores the sources and uses of public funding in higher education. *Figures 1 and 2* provide a historical look at the distribution of funds, while *Figure 3* specifically explores the state-by-state changes in local funding since the pre-recession high point in 2008.

Tax appropriations, by far, made up the majority of sources of public funding for higher education (total funds excluding federal funds and tuition). During the Great Recession, tax appropriations dropped considerably, and nontax support grew from 2.5 percent of all funding in 2008 to 3.7 percent in 2012. Nontax support has remained between 3.5 and 3.6 percent of all funding sources since 2012 (*Figure 1*). The nontax data should be interpreted with caution because they have not been heavily analyzed in the past. In the coming years, SHEEO will review nontax support in all states and determine whether additional funds should be included.

Federal American Recovery and Reinvestment Act (ARRA) funds protected the states during the worst years of the Great Recession, and as those funds were used up, local funding took on a larger part of total funding. Local funding as a percent of all funding sources increased from 9.1 percent in 2008 to a high of 11.3 percent in 2013, and at \$9.7 billion, was 10.7 percent of public funding sources in 2016 (*Figure 1*).

FIGURE 1
DISTRIBUTION AND PERCENT OF STATE AND LOCAL FUNDING SOURCES,
U.S., FY 2000-2016



NOTE: "Other support" includes non-appropriated support, multi-year appropriations from previous years, and funds not classified in one of the other source categories.

SOURCE: State Higher Education Executive Officers Association

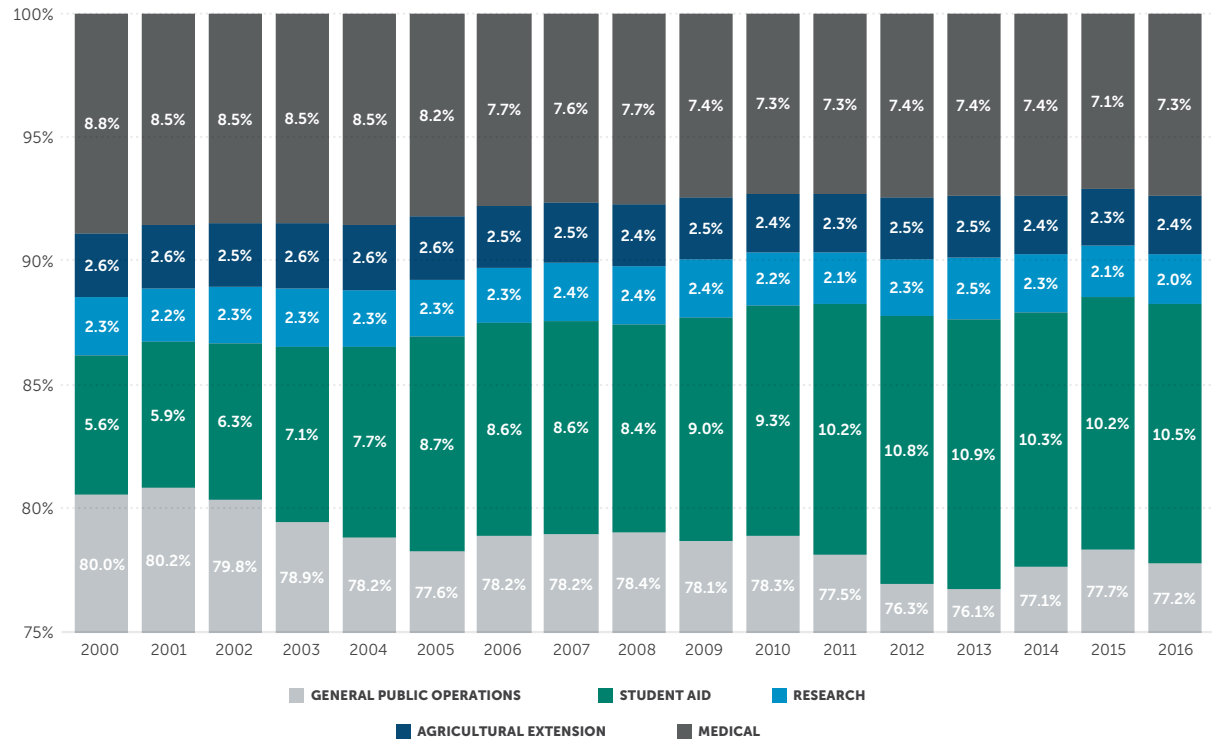
Figure 2 shows how the sources of funding are distributed for higher education. General public operations are educational appropriations without public state financial aid, which is instead included in Student Aid in Figure 2. General operations comprised the majority of funding uses from 2000 to 2016, but has shrunk in comparison to other uses, from a high of 80.2 percent in 2001 to a low of 76.1 in 2013. Funding for general operations remains near the 2013 low, at 77.2 percent in 2016.

While general public operations has decreased in the distribution of uses of funding, student aid has steadily increased from 5.6 percent in 2000 to a high during the Great Recession of 10.9 percent in 2013 (student aid has since dropped slightly, to 10.5 percent). Funding used for agricultural extension programs has remained relatively constant in comparison to other funding sources, ranging from 2.3 to 2.6 percent.

Funding for research has fluctuated between less than half a percent since 2000. Toward the end of the Great Recession, research funding increased to a high of 2.5 percent, and has since decreased to 2 percent, the lowest since 2000. Although research funding has not changed considerably in the last 26 years, there may be significant changes in coming years due to changing public priorities.

Medical programs have seen a slow and steady decrease in their relative funding, compared to other uses of public funds for higher education. In 2000, medical programs received 8.8 percent of all funds. By the pre-recession high point of 2008, they comprised 7.7 percent. In 2015, medical programs reached their lowest percent of all funds (7.1 percent), and have now risen slightly to 7.3 percent (which is still below pre-recession levels).

FIGURE 2
DISTRIBUTION AND PERCENT OF USES OF FUNDING, U.S., FY 2000-2016

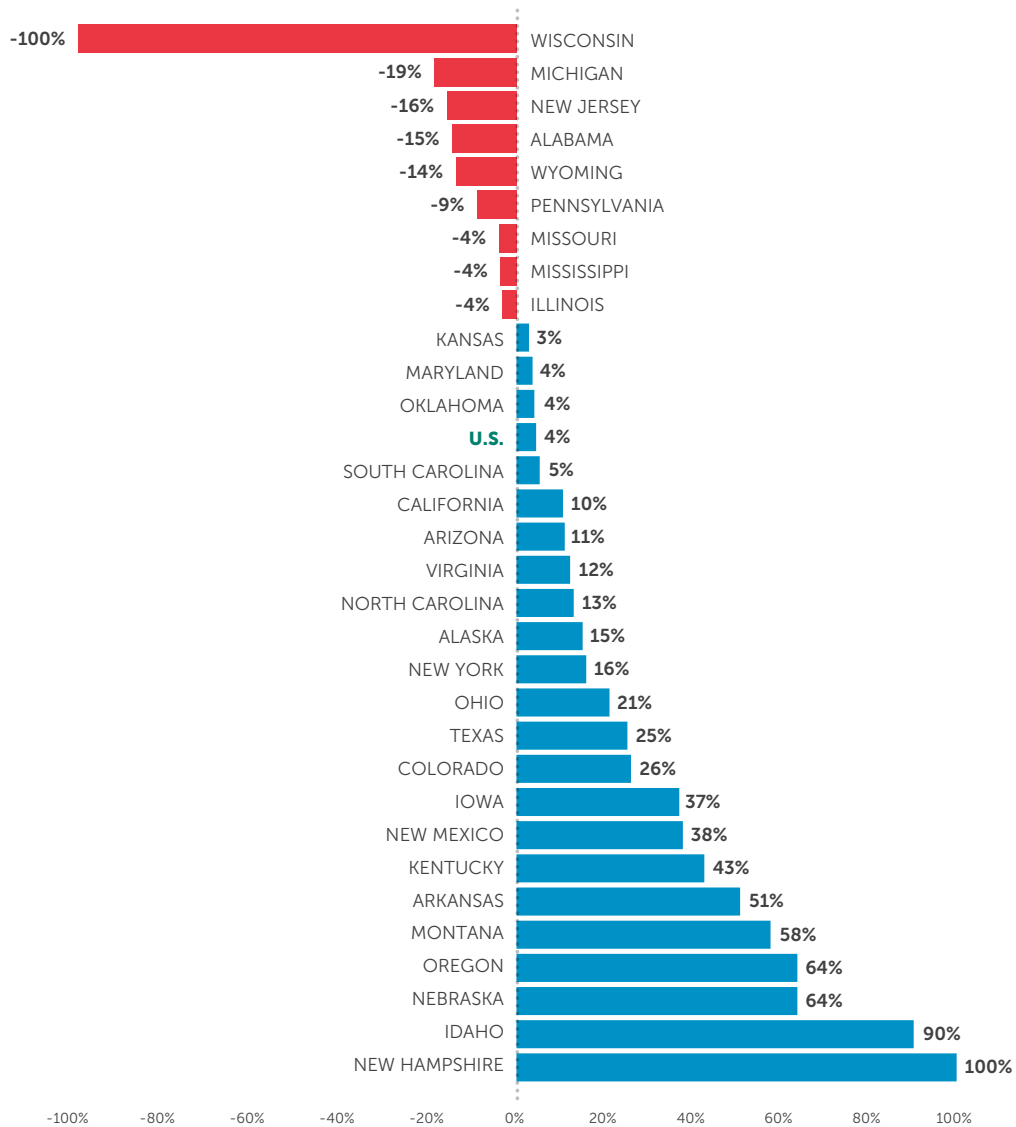


- NOTES:**
1. Totals do not equal 100 because funds for operating expenses at independent institutions and non-credit programs, which represent less than one percent of all uses, are included in the distribution calculation but are not shown.
 2. "Student aid" is state appropriated student financial aid for public and private institution tuition and fees. Includes aid appropriated outside the recognized state student aid program(s) and aid to students attending out-of-state institutions. Some respondents could not separate tuition aid from aid for living expenses.
 3. "Medical" includes funds appropriated for medical schools and hospitals.

SOURCE: State Higher Education Executive Officers Association

Local funding varies from state to state (*Figure 3*). From the pre-recession high point in 2008 to the most current financial data in 2016, 22 states have increased local funding, ranging from a 3 percent increase in Kansas to a 90 percent hike in Idaho. One state, New Hampshire, had no local funding from 2008 to 2015 and reported \$157,625 in local funding for 2016. Eight states reported losses in local funding, from 4 percent in Illinois to 19 percent in Michigan. Wisconsin lost local funding two years ago—but this has since been offset by an increase in state funding (see note below). The remaining 18 states did not report local funding in either year.

FIGURE 3
CHANGE IN LOCAL TAX SUPPORT, FY 2008-2016, BY STATE



- NOTES:**
1. Excludes states that did not have local tax support in fiscal 2008 or 2016.
 2. Constant 2016 dollars adjusted by SHEEO Higher Education Cost Adjustment (HECA).
 3. In 2015, the Wisconsin Technical College System lost \$406 million in local funds. This reduction was fully offset by an increase in state tax support.

SOURCE: State Higher Education Executive Officers Association

For additional information about the sources and uses of funding from 2000-2016, visit our online interactive dataset (<http://tabsoft.co/1MGDacv>), which includes state-by-state versions of the first two figures in this case study.

STATE HIGHER EDUCATION EXECUTIVE OFFICERS

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