

SHEF Technical Paper C

Diverse Perspectives on State Higher Education Finance Data

Understanding state support for higher education is complicated by the various perspectives of organizations that measure monetary support. Aside from SHEF, two annual studies are national in scope and report different numbers based on unique definitions and data elements—Illinois State University's *Grapevine* survey and the National Association of State Budget Officers (NASBO) State Expenditure Report. Reconciling the differences between these surveys (both at the data collection and state levels) may be impossible; understanding them, however, is essential for interpreting information on state trends in financing higher education from different sources.

The following summarizes data collected by SHEEO, NASBO, and *Grapevine*.

Grapevine – "State Effort"

Grapevine reports on total "state effort" for higher education, defined as funds from all state sources for universities, colleges, community colleges, and state higher education agencies. The *Grapevine* data collection effort has merged with the SHEF data collection effort to form the new State Support for Higher Education Database (SSDB) data collection. Therefore, *Grapevine's* "state effort" and SHEF's "state support" are now identical. The SSDB data collection requires that states follow the following guidelines in reporting:

1. Report only appropriations, not actual expenditures.
2. Report only sums appropriated for annual operating expenses.
3. For state tax appropriations in complex universities, separate the sums appropriated for (or allocated to) the main campus, branch campuses, and medical centers (even if on the main campus). Medical center data should include the operations of colleges of medicine, dentistry, pharmacy, and nursing; and teaching hospitals, either lumped as one sum or set out separately, as preferred.

"State effort" for *Grapevine* includes:

- ◆ Sums appropriated for state aid to local public community colleges, state-supported community colleges, and vocational-technical 2-year colleges or institutions predominantly for high school graduates and adult students.
- ◆ Sums appropriated for statewide coordinating or governing boards (for expenses and/or allocation to other institutions) and sums appropriated directly to institutions of higher education.
- ◆ Sums appropriated for state scholarships or other student financial aid.
- ◆ Sums destined for higher education but appropriated to another state agency.
- ◆ Appropriations directed to independent institutions of higher education.
- ◆ Funding under state auspices for appropriated nontax state support (such as monies from lotteries set aside for institutional support or for student assistance).

- ◆ Funding under state auspices for non-appropriated state support (such as monies from receipt of lease income and oil/mineral extraction fees on land set aside for public institution benefit).
- ◆ Interest or earnings received from state funded endowments set aside for public sector institutions.
- ◆ Portions of multiyear appropriations from previous years.
- ◆ Any other sources of state funding for higher education operations not listed above.

Excluded items include appropriations for capital outlays and debt service, and appropriations of sums derived from federal sources, student tuition and fee revenues, and auxiliary enterprises.

National Association of State Budget Officers (NASBO) – "State Funds"

NASBO defines state support of higher education as expenditures reflecting support of state universities and university systems, community colleges, and vocational education. "State Funds" are defined as general funds plus certain other state funds. Fund revenue sources include:

- ◆ Sales tax
- ◆ Gaming tax
- ◆ Corporate income tax
- ◆ Personal income tax
- ◆ Other taxes and fees (depending on the state, these may include cigarette and tobacco taxes, alcoholic beverage taxes, insurance premiums, severance taxes, licenses and fees for permits, inheritance taxes, and charges for state-provided services)
- ◆ Tuition and fees and student loan revenue (in many states)

States are also requested to include capital spending (for some states this can be substantial and tends to vary widely from year to year). Exclusions include federal research grants and university endowments.

SHEEO – "Total State and Local Support"

As a result of the combined SSDB effort, the SHEEO definition of Total State Support is the same as the *Grapevine* definition of State Effort. However, SHEEO adds in local tax appropriations for higher education to calculate State and Local Support.

The SHEF report was originally built on Dr. Kent Halstead's *State Profiles: Financing Public Higher Education*, better known as the "Halstead Study." Starting in the 1970s, Research Associates of Washington, headed by Halstead, produced a model of the principal factors governing state support of public higher education. Through the presentation of raw state data, indexed data, weighted state comparisons, and national overviews, Halstead sought to provide states with the capability to assess their support of public higher education. He analyzed state FTE, appropriations, and net tuition data, along with data gathered from the U.S. Census Bureau, the Department of Treasury, and the National Center for Education Statistics, and created tables displaying state support, tax capacity, tax effort, and family share of funding. His results were published in two volumes—the annual *State Profiles: Financing Public Higher Education Rankings*, and the companion trend data, *State Profiles: Financing Public Higher Education Trend Data*. Both were last published in 1998.

In 2001, SHEEO resumed this endeavor.

Like the "Halstead studies," the SHEEO study:

- ◆ Analyzes state support for higher education, setting aside support in categories that vary widely among states (research, medical education, and agricultural extension services) so as to focus the analysis on appropriations for instruction and public service in more comparable areas;
- ◆ Collects annual student FTE enrollment data to calculate more comparable estimates of state support per student;
- ◆ Examines state support for higher education in the context of a state's capacity to raise revenue from taxation;
- ◆ Examines the relative contribution of students to the cost of public higher education; and
- ◆ Examines interstate differences in the cost of living and in the enrollment mix among different types of institutions.

Additionally, SHEEO's annual survey provides national summary information on:

- ◆ State support for the education of students attending independent colleges and universities (direct state grants to institutions, or financial aid to students).
- ◆ State support of higher education operations through nontax revenue, including lottery proceeds, royalties from natural resources, and state-supported endowments.
- ◆ Trends in state support for research, medical education, and agricultural extension services.
- ◆ State-supported student financial assistance.