



SHEEO

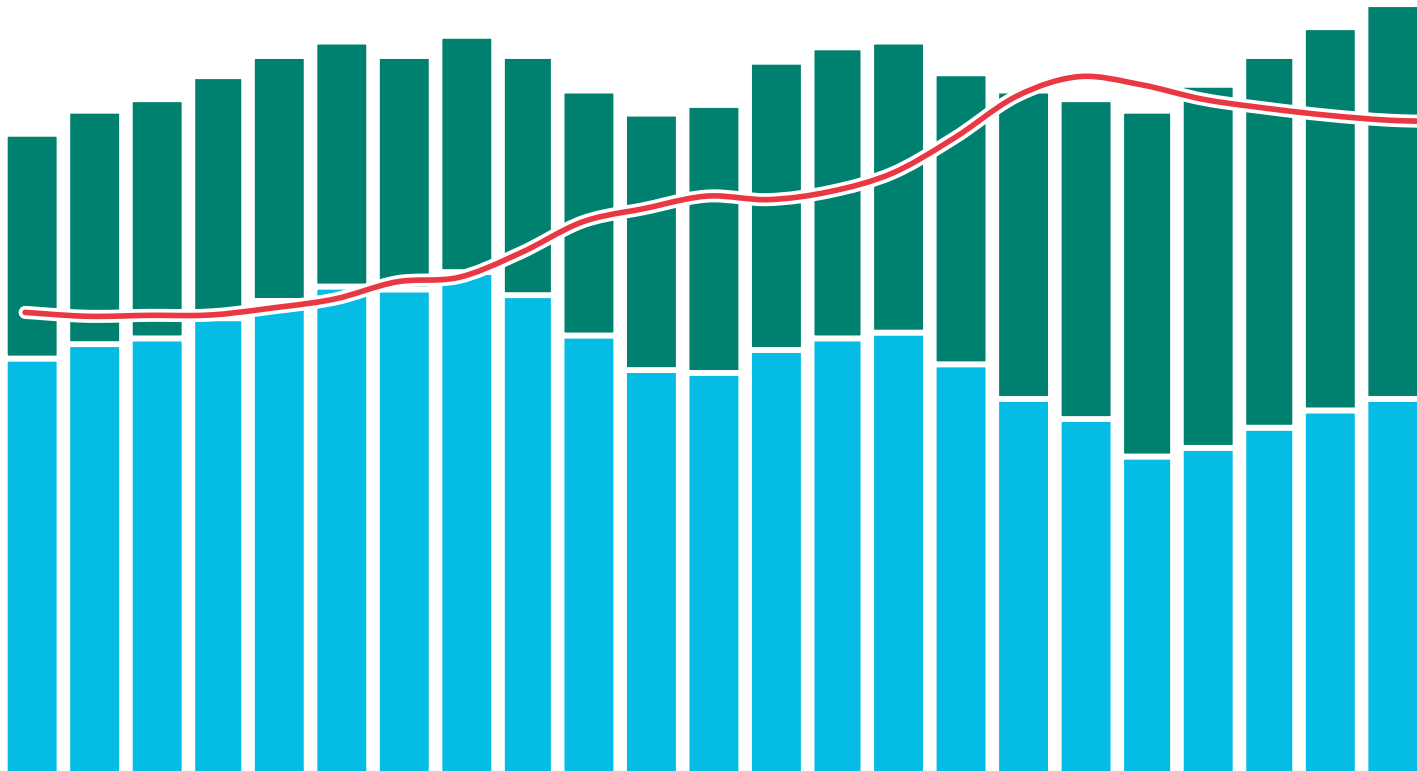
STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

SHEF

STATE HIGHER EDUCATION FINANCE

FY 2019

EXECUTIVE SUMMARY



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The State Higher Education Finance (SHEF) report is produced annually by the State Higher Education Executive Officers Association (SHEEO) to broaden understanding of the context and consequences of public policy decisions in each state that contribute to public higher education funding levels and funding distributions across states and nationally.

The SHEF report supplies important context and trend analysis to help inform state postsecondary finance policy decisions. SHEF provides the earliest possible review of state and local support, tuition revenue, and enrollment trends for the most recently completed fiscal year. This year's report focuses on FY 2019, which for most states ran from July 1, 2018, through June 30, 2019.

A fully interactive electronic version of this report is available on our website (shef.sheeo.org), including data downloads, visualization tools, and technical documentation.

REPORT HIGHLIGHTS

State and local funding for all higher education reached \$100 billion for the first time in fiscal 2019. State tax and non-tax appropriations accounted for 88 percent of those funds, with local tax appropriations contributing 11 percent. The vast majority of state and local support for higher education went to general operations at public institutions (78 percent). Roughly 10 percent of funding was used for research, agricultural extension programs, and medical schools. Another 8.5 percent was allocated for student financial aid at public institutions. Less than 3 percent of all state and local funding supported independent (private) institutions, and most of those funds went to student financial aid. In the 2019 SHEF report, we find that on a per-student (FTE) basis and after adjusting for inflation,

 **2.4%**

Education appropriations increased 2.4 percent or \$195 per FTE from 2018 to 2019, marking the seventh straight year of increases in state support (last year's increase was only \$15 per FTE);

 **2/3**

Nationally, education appropriations remained 8.7 percent below pre-recession levels in 2008, and states have only recovered about two-thirds (63.5 percent) of the total decline seen during the Great Recession;

 **4.0%**

State public financial aid (a part of education appropriations) increased 4.0 percent, reaching an all-time high of \$808 per FTE;

 **\$6**

For the first time since the Great Recession, the U.S. had a decline in net tuition revenue (due to the increase in state financial aid), although the decrease was only 0.1 percent or \$6 per FTE;

 **15k**

Total education revenues increased 1.3 percent per FTE, surpassing \$15,000 per FTE for the first time; and

Despite the recent increase in funding, in more than half of all states, the majority of total education revenues still came from student tuition dollars.

FULL-TIME EQUIVALENT (FTE) ENROLLMENT

- In recent years, enrollment has remained relatively stable both nationally and across states. There were just under **11 million FTE** enrolled students in 2019.
- FTE enrollment ranged from less than 17,000 in Alaska to 1.56 million in California.
- 2019 is the eighth straight year of FTE enrollment declines following substantial enrollment increases during the Great Recession. Annual enrollment declines have been less than 0.5 percent for the last three years.
- Twenty states had very stable enrollment from 2018 to 2019, with annual changes of less than 1 percent. In the past 10 years, almost half of all states have faced enrollment declines.

Full-time equivalent (FTE) enrollment converts student credit hours to full-time academic year students. FTE excludes medical students.

EDUCATION APPROPRIATIONS PER FTE

- Nationally, public institutions received an average of **\$8,196 in education appropriations per FTE**, a 2.4 percent increase above inflation in the last year.
- From 2018 to 2019, appropriations increased in 38 states and Washington, D.C. Across the states, per-FTE appropriations ranged from less than \$3,000 in New Hampshire and Vermont to almost \$19,000 in Wyoming.
- Although 2019 marks the seventh straight year of per-FTE increases in education appropriations, these funds remain 8.7 percent below pre-recession levels. Only seven states have fully recovered, and another seven remain 30 percent below funding before the Great Recession.

Education appropriations measure state and local support available for public higher education operating expenses and exclude research, hospitals, and medical education.

STATE PUBLIC FINANCIAL AID PER FTE

- State public financial aid per FTE increased 4.0 percent from 2018 to 2019 and reached an all-time high of **\$808 per FTE**. These funds made up 9.9 percent of all education appropriations, the largest proportion since SHEF began.
- Across the U.S., state financial aid for students attending public institutions has increased 34.1 percent per FTE since the start of the Great Recession.
- State public financial aid in 2019 ranged from under \$100 per FTE in five states (Arizona, Hawaii, Iowa, Michigan, and Montana) to over \$2,000 per FTE in Louisiana and Tennessee.

State public financial aid is any state appropriated student financial aid for public institutions, excluding loans. These funds are included in education appropriations.

NET TUITION REVENUE PER FTE

- Public institutions averaged **\$6,902 in net tuition revenue** from in-state and out-of-state students in 2019.
- Following rapid increases in net tuition revenue in every state during the Great Recession, net tuition revenue declined for the first time this year since 2008. This decline was only 0.1 percent (\$6 per FTE) and is entirely explained by the large increase in student financial aid, which is deducted from net tuition revenue.
- Net tuition revenue per FTE varied by state, from below \$3,000 per FTE in California and Florida to nearly \$17,000 in Delaware.
- Net tuition is affected by changes in tuition rates as well as proportional differences in out-of-state, international, and graduate student enrollment.

Net tuition revenue is the total amount of tuition and fees, minus state and institutional financial aid and medical tuition and fees.

TOTAL EDUCATION REVENUES PER FTE

- Total education revenues increased for the seventh straight year, reaching an all-time high of **\$15,018 per FTE** (a 1.3 percent increase from 2018). This is the first time that nationally, public institutions have more than \$15,000 per FTE in total revenues.
- This trend does not hold for all institutions or states. Many institutions have been unable to increase tuition revenue to offset historical declines in state funding, and 16 states have not surpassed pre-recession levels of total education revenues.
- Total education revenues range from a low of \$10,262 in Florida to almost \$23,000 in Wyoming.
- Total revenues increased in 36 states and Washington, D.C., from 2018 to 2019. In the last five years, total revenues have only declined in five states (Indiana, Mississippi, Missouri, New Hampshire, and North Dakota).

Total education revenue is the sum of education appropriations and net tuition, excluding net tuition revenue used for capital debt service.

STUDENT SHARE

- Throughout the SHEF dataset, the student share has risen from 20.9 percent in 1980 to **46 percent in 2019**.
- Student share generally rises during economic recessions and levels off during economic recoveries. The sharpest increase in student share occurred during and immediately following the Great Recession.
- In over half of all states, tuition revenue comprises more than 50 percent of total revenues. Three states had a student share above 75 percent in 2019 (Delaware, New Hampshire, and Vermont). Conversely, three states still have a student share of less than 25 percent (California, New Mexico, and Wyoming).

The student share is a measure of the proportion of total education revenues at public institutions coming from net tuition revenue.

IMPLICATIONS

State and local funding for all higher education surpassed \$100 billion for the first time in 2019, and total education revenues at public institutions reached an all-time high, exceeding \$15,000 per FTE for the first time. Net tuition revenue per FTE declined this year, ending a decade-long trend of increases. On their surface, these trends suggest a healthy funding environment for public higher education institutions. The reality is much more complex. In more than half of all states, student tuition dollars now make up more than 50 percent of total education revenues at public institutions. Despite seven years of funding increases following the Great Recession, states have only recovered two-thirds of their lost state funding, and the average public institution still receives fewer education appropriations per FTE than in almost every pre-recession year in the SHEF dataset (which goes back to 1980).

The national numbers obscure very different funding situations across the United States. Seven states (Alaska, California, Hawaii, Nebraska, New York, Oregon, and Wyoming) have met or exceeded pre-recession education appropriation levels after declining during the Great Recession. However, another seven states (Alabama, Arizona, Delaware, Louisiana, Mississippi, Oklahoma, and Pennsylvania) remain more than 30 percent below their pre-recession education appropriations per FTE. In three Western states, student tuition dollars comprise less than 25 percent of total education revenues. On the other hand, student tuition accounts for over 75 percent of all revenues in three states in the Northeast.

Amidst these changes, many states have adopted ambitious attainment goals and committed to reducing inequality in educational attainment. These goals can only be met by addressing affordability concerns and ensuring that institutions have the resources to better serve students of color and other historically underserved groups. It is critical for states to continue to push for increased equity in attainment through the ups and downs of the economic cycle. Yet it is not clear what will happen to public institution revenues and student affordability if states continue to use higher education as a budgetary pressure release valve during the next recession.

STATE HIGHER EDUCATION EXECUTIVE OFFICERS

3035 CENTER GREEN DRIVE, SUITE 100, BOULDER, COLORADO, 80301
303.541.1600 • SHEEO.org

