



New Report: States Increase Higher Education Spending for FY 2008

Aug. 28, 2007

Thirteen states will increase higher education funding by ten percent or more in FY 2008, reveals a preliminary state budget and tax report released by the National Conference of State Legislatures.

The August 2007 report details projected state funding growth for major budget categories such as Medicaid, corrections, K-12 education, and higher education.

According to the report, overall funding for higher education in FY 2008 is expected to grow 7.9 percent over FY 2007.

Of the 13 states that have increased their spending on higher education by ten percent or more, Mississippi saw the largest increase at 15.9 percent. Montana followed with 14 percent, primarily to freeze resident tuition rates at FY 2007 levels.

Education also was the most common recipient of excess state revenues from FY 2007, with 17 states boosting higher education funding and at least 20 targeting K-12.



NCSL NEWS

August 9, 2007

State Budgets in Transition, NCSL Report Shows

BOSTON - Although state year-end balances remain solid, states finished fiscal year (FY) 2007 with less money than they had a year ago, a new report by the National Conference of State Legislatures shows.

State Budget & Tax Actions 2007: Preliminary Report is the result of a survey of legislative fiscal offices. Five states (California, Illinois, Michigan, North Carolina and Wisconsin) had not passed budgets by the time the report was written, so the fiscal health of the states as a whole is not yet available. But based on the information provided by the 45 reporting states, state fiscal health is in transition.

"State budgets were strong through FY 2007," said NCSL President and Texas Senator Leticia Van de Putte. "But we're now starting to see a downward trend. This is a cause for concern as we think about FY 2008 and beyond."

The aggregate year-end balance, which includes general fund balances and rainy day funds, fell nearly 7 percent, from \$58.1 billion to \$54.1 billion between FY 2006 and FY 2007. It is projected to drop again in FY 2008 to \$41 billion. While it is important to consider the absolute size of year-end balances as an indicator of state fiscal health, it also is important to consider whether balances are rising or falling compared with previous years.

State revenue and spending growth in FY 2007 eclipsed original estimates, but not by much. For the 45 reporting states, FY 2007 revenues grew 4.3 percent above FY 2006 levels. They had been projected to grow 3.3 percent. Six states reported revenue declines. General fund spending grew 8.8 percent. It was budgeted to grow 7.3 percent. Many states reported that they made one-time expenditures.

"State legislators have been prudent with the unexpected revenues that came through these past few years. They have given programs and projects one-time funding infusions and have raised reserve levels," Van de Putte added. "As a result, states are better positioned to address state budget challenges as revenue growth slows."

In FY 2008, which began July 1, for 46 states, revenues are projected to grow 2.6 percent above last year's level, but spending needs are expected to grow by 5.4 percent for the 45 reporting states. Eight states plan to spend less in FY 2008 than they did in FY 2007.

Spending priorities for FY 2008 include salary increases for teachers, new buildings and technology improvements for K-12 and higher education, restoring Medicaid provider rates and boosting compensation for prison personnel. Many states also targeted highway and other capital projects.

The 41 states that reported tax actions expect to gain \$87 million in FY 2008 from new taxes. States as a whole cut personal income and sales taxes, but they increased health care and tobacco taxes. They increased fees as well. Fee increases for FY 2008 are expected to total \$700 million, compared with \$81 million that was raised in FY 2007.

The report is free to credentialed members of the media. Request a copy in an email to press-room@ncsl.org. Others can purchase the report. For details on how, visit [NCSL's Bookstore](#).

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