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State Spending on Colleges Drops Over All for First Time in 11 Years

By MICHAEL ARNONE

The economy as a whole may be improving, but don't tell that to public colleges, which had one of their worst years ever this year in terms of getting money from their states.

In spending plans that states adopted for the 2003-4 fiscal year, aggregate appropriations for higher education fell 2.1 percent, to \$60.3-billion, according to a survey conducted by the Center for the Study of Education Policy at Illinois State University. The annual survey tracks states' general-fund appropriations for higher-education needs other than construction.

This year marks the first actual spending cut since 1992-93, when appropriations dipped 0.9 percent. The decline may also be the single biggest ever, said James C. Palmer, a professor of higher education at Illinois State who conducted the 50-state survey, which is in its 45th year.

"The recession of a year or so ago has certainly taken its toll on the states," Mr. Palmer said. This year's decline, he said, shows the extreme vulnerability of higher education to economic downturns. As states grapple with falling revenues, higher health-insurance premiums, and other fiscal challenges, many lawmakers are demanding that higher education be more cost-effective and rely less on government subsidies. "To the extent that we have to do more," he said, "we are going to have to do it with less."

In total, 27 states increased spending on higher education this year and 23 cut spending. That, too, might be a record, Mr. Palmer says. Thirteen states made cuts in 2002-3 and only five in 2001-2. Of the states that spent more this year, the increases in 15 exceeded the national inflation rate, which was 1.8 percent for the 12 months ending in November 2003.

During the recession of the early 1990s, cuts were limited to a few states, most notably California, which accounts for 15 percent of state higher-education spending nationwide. This year, though, the pain is more widespread, Mr. Palmer said, with no evident trends of geography or size to distinguish the states that reduced spending from the ones that did not. But California, which faced a \$38-billion budget deficit this year, skewed the national figure downward once again. Without California, the rest of the country would have seen a 1.5-percent drop.

The study also found that 27 states had revised their 2002-3 appropriations downward after last year's survey was conducted, and that 12 of those states had reported cuts of at least 5 percent. Of those dozen, eight felt even more pain because the additional cuts were on top of reductions they had made earlier in 2002-3.

Nevada's Big Increase

Nevada was the only state to increase money to colleges by more than 10 percent in 2003-4, and it had the biggest percentage rise by far in higher-education spending, 30.2 percent. Hawaii, the runner-up, saw only a 7.9-percent increase.

Nevada's increase came primarily from its booming enrollment, which grew 7 percent this year alone, to 57,775 full-time equivalent students, said Jane A. Nichols, chancellor of the University and Community College System of Nevada. The formula that sets the state's support of colleges is tied to enrollment growth.

More than 40 percent of the overall increase came from \$45.8-million that the Legislature gave the college system in case federal estate-tax revenues fell short of projections. This was the first time that lawmakers had appropriated money for that reason, state officials say.

Until this year, Nevada colleges directly received half the money collected through the state's share of federal estate tax of Nevada residents. The change stemmed from the U.S. Congress's decision, in 2001, to phase out the estate tax by 2010. Colleges will have to pay back the money for this year if estate-tax revenues are sufficient, but state officials predict that all estate-tax money will dry up by 2006.

Because Nevada colleges will soon lose that large source of revenue, Ms. Nichols predicted that Nevada may soon be the state with the largest decrease in appropriations to colleges. That may happen, she said, when its Legislature, which convenes every two years, meets in February 2005 to plan for the 2005-7 biennium. At that time, lawmakers will have to decide how much of the lost estate-tax funds to make up through appropriations.

Deep Cuts in Massachusetts

Among the states that cut higher-education appropriations this year, the hardest hit were Colorado, South Carolina, and particularly Massachusetts, which had the highest percentage decrease in the nation. Bay State lawmakers cut higher-education spending by 19.3 percent, or \$187.6-million. The University of Massachusetts alone saw its state money plummet \$111-million, or 25.1 percent. The state's other 9 public colleges and 16 community colleges saw cuts, on average, of more than 13 percent. Higher education is one of the few discretionary items in the budget that the state could use to close a \$2-billion budget deficit this year, said Judith I. Gill, chancellor of the state's Board of Higher Education.

California lawmakers cut higher-education appropriations by 5.9 percent, or \$534.8-million. Both the University of California and California State University systems experienced cuts of 7.9 percent. Community colleges took a smaller hit, of only 5.8 percent, but that figure does not include an extra \$200-million that the Legislature gave them for operating expenses. Since that money will actually come out of the 2004-5 budget, "we gave them an advance on their allowance," said Karl M. Engelbach, chief fiscal analyst for the California Postsecondary Education Commission, the state's coordinating board. California's spending on student financial aid was up 13.6 percent, or \$81.7-million. That is still down, however, from the year before.

Of the next eight largest states in terms of state spending on higher education, six (Florida, Illinois, Michigan, New York, North Carolina, and Pennsylvania) saw drops ranging from 0.1 percent to 4.5 percent. Ohio and Texas eked out scant gains, of 0.8 percent and 1.4 percent, respectively.

Nationwide, money for community colleges fell at the same rate as for public four-year institutions, 2.1 percent, to \$10.95-billion. In general, the increases or decreases for community colleges in each state mirrored the changes in overall state appropriations. This year, 19 of the 43 states that distinguish

between two-year and four-year colleges in responding to the survey reported giving bigger percentage increases to two-year institutions. One, New Jersey, reported no change, and 23 gave bigger percentage increases to their four-year colleges.

Fiscal pressures also led some states to cut the appropriations they made to private institutions. Aid to private colleges decreased by an average of 5.2 percent in the 13 states that reported such data to the Illinois State center. Only one state, Iowa, slightly increased money to private colleges, and New York held spending on private colleges flat. The other 11 states included Florida, which nicked 0.3 percent from its private-college appropriation, and Alabama, which slashed such money by 56.8 percent.

Gains for Black Colleges

One sector that actually saw a slight increase was public historically black colleges, which had a 1.2-percent increase, to \$1.077-billion. Illinois State's Mr. Palmer, however, said that he could not tell from the data whether those colleges were actually faring better than others. Of 38 historically black institutions reviewed in 19 states, 21 saw decreases in support. Prairie View A&M University, in Texas, got a 22.3-percent increase, while West Virginia State College saw its appropriations drop 18.8 percent.

With tuition rates rising across the country, many states increased financial aid to help students pay for college, even as overall appropriations for colleges went down. Nationally, state appropriations for financial aid rose by 9.4 percent, to \$4.256-billion. Of the 33 states that reported figures for financial aid, 22 increased their spending and 10 did so by more than 10 percent. Texas spent the most, with an increase of \$84.3-million, or 50.8 percent. Several states, including Nebraska and West Virginia, reduced funds for their institutions but substantially increased their spending on financial aid.

Eight states reduced financial aid, and three slashed it by more than 10 percent. Florida cut the most, down \$56-million, or 35.6 percent. Iowa, North Dakota, and South Dakota kept financial-aid funds level.

The Illinois State survey is an inexact tool, however, for gauging state support for colleges. Even in tough economic times, Mr. Palmer said, appropriations may not represent all the state money colleges receive. And since more than half the states have already revised their 2003-4 budgets in the middle of the year, he said that the current situations for colleges could be better or, more likely, worse than the survey indicates.

The center's full analysis is available online at coe.ilstu.edu/grapevine/.