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State Spending on Colleges Bounces Back

Growth is fastest in 5 years; institutions begin to recover from past budget woes

By KARIN FISCHER

State spending for higher education grew at the fastest rate in five years during the current fiscal year, allowing colleges throughout much of the nation to regain their financial balance after a series of tight budgets.

In budgets adopted by states for the 2005-6 fiscal year, total general-fund appropriations for postsecondary education rose by 6 percent, to \$66.6-billion, from the previous year, according to a new analysis by the Center for the Study of Education Policy, at Illinois State University.

That is the biggest jump since 2001, when state higher-education budgets increased by 7 percent.

"This indicates we're pulling out of the trough we were in a couple of years ago" in 2003-4, when state spending for colleges dipped by 2.1 percent, says James C. Palmer, a professor of higher education at Illinois State and the author of the 50-state survey.

Hawaii had the largest one-year jump, 20.1 percent, as tourism and construction boomed. In Alabama, where a key legislator held up the state budget in a successful effort to increase spending for higher education, appropriations increased 14.9 percent.

In all, 28 states increased college budgets by 5 percent or more this year, up from 14 states the previous year. Four states reported a decrease in their appropriations from one year to the next, just half as many as in 2004-5.

For the second year in a row, West Virginia had the greatest drop in state support, falling 6 percent, to \$319-million.

"West Virginia has typically been one of the last states to come out of a recession," says Dennis C. Taylor, vice chancellor for administration at the West Virginia Higher Education Policy Commission. He noted, however, that while general-fund support for higher education declined in the state, student aid, which is primarily financed by lottery and video-poker revenues, climbed more than 22 percent.

Survey in 47th Year

The Illinois State survey, which is now in its 47th year, only measures state tax support to higher education and excludes funds from lotteries, tuition payments, and other nontax sources.

West Virginia is one of a dozen states in which 2005-6 support remains below pre-recessionary levels. West Virginia colleges received 17.6 percent less in the current fiscal year than in 2000-1, while in Colorado,

where a constitutionally imposed cap severely restricted state spending, higher-education appropriations were 20.3 percent lower than five years ago.

Concerned that stringent spending limits were starving public colleges, Coloradans voted last fall to temporarily suspend the cap.

Even in states in which spending has rebounded, college officials say they are still recovering from cutbacks imposed during lean budget years. At the University of South Alabama, in Mobile, faculty and staff members did not receive salary increases in two of the last three years, says Keith Ayers, director of public relations. Much of the 15.7-percent increase in the university's budget will go to pay raises, and for deferred maintenance on campus buildings.

"In many respects, we're just reclaiming the funds that have eroded," says Mr. Ayers. "We're trying to make up ground."

At South Alabama, and at other institutions throughout the nation, the costs of health insurance and other nonsalary benefits are on the rise as well. Colleges' share of health-care costs increased, on average, 10 percent in the last year, according to a survey by the College and University Professional Association for Human Resources.

The three states that provide separate figures for fringe benefits — medical plans, life insurance, tuition assistance, and other nonsalary benefits — reported to Illinois State that the growth of those costs outpaced increases in almost all other higher-education expenditures.

The Illinois State survey also tracked state support for student aid, which rose 9.8 percent, to \$4.8-billion, in the 34 states that break out budget numbers for those programs. In 2004-5, state spending on financial aid grew just 3 percent.

Rising Tuition

The jump in student-aid spending may reflect the rising cost of public-college tuition, says Mr. Palmer, the survey's author. Tuition at four-year colleges rose 4.8 percent in 2005-6 and 7.1 percent the previous year, according to the College Board.

At two-year public institutions, rates increased 3.2 percent this fiscal year and 5.7 percent the year before.

"It may be that more states are taking a high-tuition, high-aid approach," Mr. Palmer says.

Community colleges and historically black institutions appeared to fare well in terms of their state support. Appropriations for the 37 historically black colleges rose 7.9 percent, with only two colleges, West Virginia State University and Central State University, in Ohio, reporting a decline in state support.

Spending on community colleges grew 6.8 percent between 2004-5 and 2005-6; however, Mr. Palmer cautioned that the figure, which is based on information from 47 states, was skewed by a 12.4-percent increase in appropriations for California community colleges. Nationally, excluding California, the average increase in state budgets for two-year colleges was 5 percent.

And, Mr. Palmer noted, state-appropriations figures reported in his survey are subject to change, particularly in Gulf Coast states, where the economic blows delivered by Hurricanes Katrina and Rita could lead to midyear rescissions from state budgets.

Public colleges in Louisiana have already been asked to absorb a \$71.4-million budget cut.

Mr. Palmer also said the study's findings should be interpreted with care because differences in states' budgeting processes can hide or exaggerate variations between the states or cause misleading short-term fluctuations in expenditures.

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