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Contact: Paul Lingenfelter, President
(303-541-1600) (plingenfelter@sheeo.org)

***SHEEO RELEASES
STATE HIGHER EDUCATION FINANCE FY 2010***

The full report is available at: http://www.sheeo.org/finance/shef_fy10.pdf

Boulder, Colorado – The State Higher Education Executive Officers (SHEEO) has released its annual State Higher Education Finance (SHEF) report, which provides a comprehensive review of state funding and enrollment trends for higher education.

An economic recession beginning in fiscal year 2008 dramatically reduced state revenues and ended the growth in state and local support achieved between 2004 and 2008. By 2010, state and local support had fallen to \$83.7 billion (from \$88.9 billion in 2008), but \$4.8 billion in federal funds to stabilize state higher education budgets brought total funding to \$88.5 billion, near 2008 levels. Enrollments in 2010, however, continued to grow to a record high of 11.6 million students at public institutions, 6.3 percent higher than 2009 and 10.8 percent higher than 2008.

Public higher education enrollments have grown 35 percent since 2000, the most rapid ten-year growth rate since 1970. (In the full report, Table 1 provides data for the past six years, and Figure 3 displays constant dollar funding and enrollment trends from 1985 to 2010.) In current dollars, net tuition per FTE grew by 4.8 percent between 2009 and 2010, and total educational revenues per FTE (state and local support plus net tuition) declined by 1.9 percent.

Paul Lingenfelter, president of SHEEO, commented, "Three findings stand out in SHEEO's studies of state higher education finance: unremitting enrollment growth, the difficulty states have recently experienced in keeping up with enrollment demand, and the growth of tuition and fees. The growing demand for higher education and for even higher quality in higher education will continue; meeting those demands will take all the creativity and commitment we can muster."

SHEEO's annual studies of higher education finance show that state and local support tend to recover after periods of economic recession, but recent recoveries have not been strong enough or sustained long enough to offset a fundamental shifting of the cost to families. While total state funding, including federal state stabilization funds, has not declined precipitously, it has failed to keep pace with enrollments and inflation. As a result, in 2010 constant dollars, state and local support per student sank to the lowest level recorded in more than 30 years.

Federal stabilization funding from the American Reinvestment and Recovery Act (ARRA) provided \$2.3 billion for higher education in 2009 and \$4.8 billion in 2010. ARRA funding declined by \$2.0 billion in 2011, but increases of \$1.4 billion in state appropriations offset most of that decline.

"State and local funding provides the foundation for public higher education in the United States," observed Jack Warner, chair of SHEEO's executive committee and executive director and CEO of the South Dakota Board of

Regents, “but that foundation is being eroded by the growing need for higher education and pressures on state budgets. If we want an internationally competitive workforce, we must find better ways to serve the next generation of students and address the forces that have made higher education more expensive for families over the past twenty-five years.”

Federal stimulus funding cushioned the effects of the 2008 recession by averting budget reductions and mitigating tuition increases in 2009 and 2010. Federal funds provided \$2.3 billion for higher education in 2009 and \$4.8 billion in 2010. The recently released *Grapevine* report indicates that the states reduced reliance on federal funds for higher education budgets by \$2.0 billion in 2011 and replaced most, but not all of these federal revenues with state funds. Nevertheless, funding for all state services as well as higher education programs and student financial assistance has fallen, and full recovery likely will take several years.

Lingenfelter commented, “Tuition increases and the volatility of higher education funding are making it more difficult to meet public needs and expectations. Employers want well-educated workers, and students want to be qualified for demanding jobs. We clearly need to make changes in the financing and delivery of higher education in the United States.”

Reflecting on this situation, Warner observed, “Higher education could receive no greater public endorsement than the enrollment growth experienced over the past ten years. Despite that vote of confidence, every educator knows we need to achieve better learning outcomes and more widespread attainment. We need to make the best possible use of every available dollar, but clearly we also must find the funds required to educate the next generation. No successful country can afford to be complacent about educational attainment.”

In this eighth annual report, the SHEEO study of state higher education finance analyzes state and local funding, net tuition, and enrollment trends to provide a comprehensive view of state higher education finance. It complements the long-standing *Grapevine* survey of higher education appropriations released by Illinois State University. Since the FY 2009 collection cycle, SHEEO and Illinois State University have aligned the *Grapevine* and SHEF data collections into one study to simplify and align data collection procedures, limit the burden placed on state offices, and create a more timely and accurate picture of state fiscal support for higher education.

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The State Higher Education Executive Officers—the national association of the chief executives of statewide governing boards and coordinating boards of postsecondary education—works to assist its members and the states in developing and sustaining excellent systems of higher education.

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