

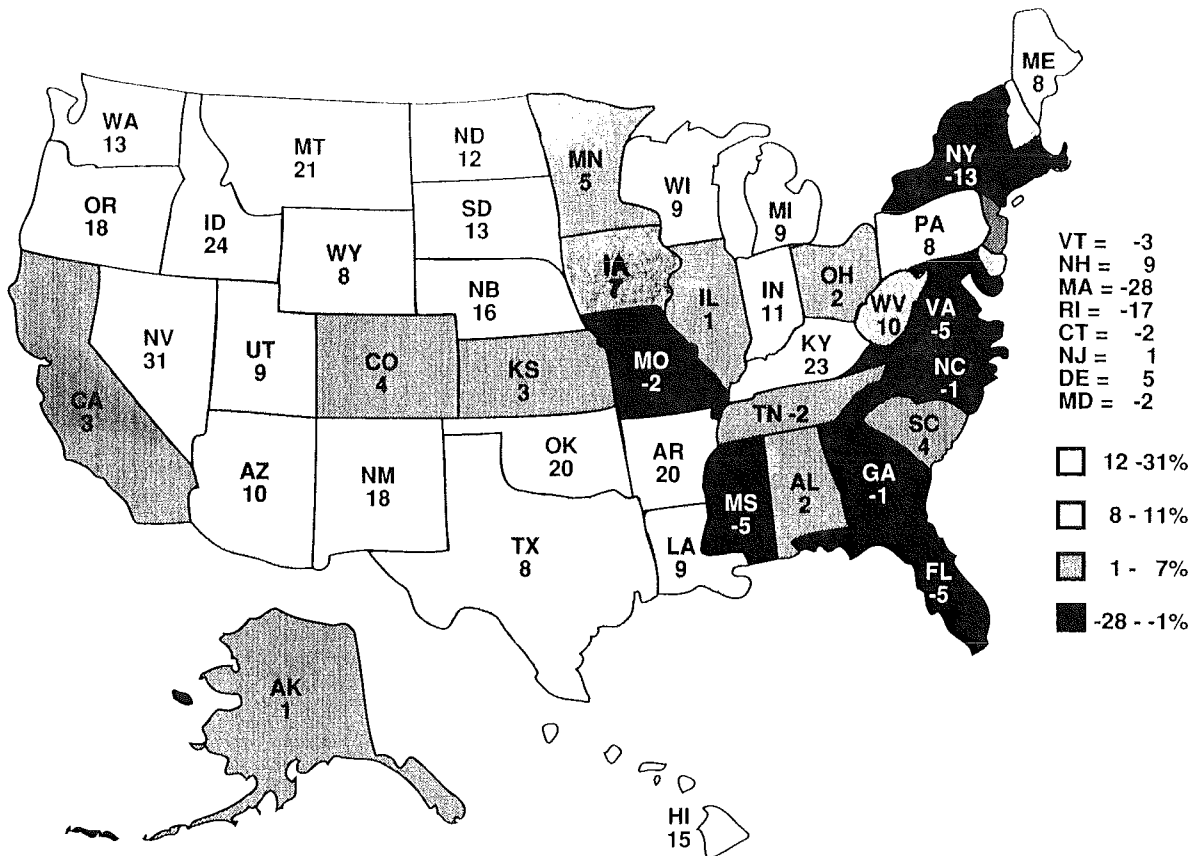
Grapevine

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Reports on state tax legislation; state appropriations for universities, colleges and community colleges; legislation affecting education beyond the high school.

IN THIS ISSUE

PERCENTAGES OF TWO-YEAR GAINS IN APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF HIGHER EDUCATION IN THE FIFTY STATES, FISCAL YEAR 1992 OVER FISCAL YEAR 1990.



Map by Graphics, Media Services, Illinois State University

GRAPEVINE

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APPROPRIATIONS OF STATE TAX FUNDS FOR OPERATING EXPENSES OF HIGHER EDUCATION
FOR FISCAL YEARS 1981-82, 1989-90, 1990-91 AND 1991-92, WITH PERCENTAGES OF GAIN
OVER THE MOST RECENT ONE, TWO AND TEN YEARS. (In thousands of dollars)

States	Year 1981-82	Year 1989-90	Year 1990-91	Year 1991-92	1-year Gain %	2-year Gain %	10-year Gain %
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Alabama	376,591	776,505	820,893	791,587	- 4	2	110
Alaska	169,095	178,188	187,892	179,981	- 4	1	6
Arizona	299,317	553,547	598,329	607,819	2	10	103
Arkansas	183,980	320,613	325,795	384,814	18	20	109
California	3,222,335	5,487,892	5,773,949	5,662,752	- 2	3	76
Colorado	305,791	505,994	508,758	523,785	3	4	71
Connecticut	229,405	511,567	522,606	503,748	- 4	- 2	120
Delaware	72,125	115,541	117,429	121,011	3	5	68
Florida	802,316	1,557,091	1,548,285	1,486,480	- 4	- 5	85
Georgia	498,739	884,669	961,283	874,320	- 9	- 1	75
Hawaii	161,466	279,241	290,925	321,201	10	15	99
Idaho	95,100	158,247	183,999	195,881	6	24	106
Illinois	1,031,293	1,712,850	1,735,316	1,734,761	0	1	68
Indiana	463,703	814,021	876,162	899,643	3	11	94
Iowa	322,582	528,499	579,777	563,570	- 3	7	75
Kansas	278,662	435,609	451,299	446,517	- 1	3	60
Kentucky	339,632	550,328	609,228	674,327	11	23	99
Louisiana	454,754	527,037	585,703	574,336	- 2	9	26
Maine	66,941	173,534	186,285	186,664	0	8	179
Maryland	385,949	822,337	809,926	804,886	- 1	- 2	109
Massachusetts	417,938	815,998	697,248	583,569	- 16	-28	40
Michigan	848,532	1,408,009	1,486,694	1,541,648	4	9	82
Minnesota	554,704	946,779	1,007,656	995,429	- 1	5	79
Mississippi	300,696	432,971	423,477	412,311	- 3	- 5	37
Missouri	323,860	580,005	640,194	569,257	- 6	- 2	76
Montana	83,693	109,416	116,648	131,910	13	21	58
Nebraska	181,645	293,242	329,122	340,106	3	16	87
Nevada	65,851	146,636	163,324	191,773	17	31	191
New Hampshire	39,323	69,035	72,959	75,175	3	9	91
New Jersey	560,306	1,124,367	1,060,924	1,132,432	7	1	102
New Mexico	184,553	296,410	335,466	349,378	4	18	89
New York	1,855,429	3,185,045	3,090,116	2,760,719	- 11	-13	49
North Carolina	758,466	1,458,516	1,484,279	1,445,790	- 3	- 1	91
North Dakota	104,638	129,756	129,757	145,535	12	12	39
Ohio	707,538	1,427,041	1,472,920	1,460,068	- 1	2	106
Oklahoma	325,553	453,090	499,621	542,277	9	20	67
Oregon	252,602	395,898	420,047	466,322	11	18	85
Pennsylvania	825,546	1,370,011	1,395,732	1,483,233	6	8	80
Rhode Island	84,154	139,174	127,075	116,128	- 9	-17	38
South Carolina	360,902	612,508	638,297	634,226	- 1	4	76
South Dakota	58,545	86,064	90,618	97,273	7	13	66
Tennessee	366,483	709,116	711,978	692,402	- 3	- 2	89
Texas	1,905,007	2,624,288	2,579,342	2,821,810	9	8	48
Utah	173,772	292,720	305,233	319,561	5	9	84
Vermont	33,876	57,596	56,810	55,742	- 2	- 3	65
Virginia	543,961	1,089,276	1,068,485	1,030,112	- 4	- 5	89
Washington	497,821	796,400	857,135	898,184	5	13	80
West Virginia	192,307	252,180	275,672	277,921	1	10	45
Wisconsin	532,002	795,383	843,543	863,337	2	9	62
Wyoming	82,644	116,183	124,902	124,902	0	8	51
Totals	22,982,123	39,106,423	40,143,113	40,096,613			
Weighted average percentages of gain					0	3	74

STATE SUPPORT OF HIGHER EDUCATION: A RETROSPECTIVE OF FY1992
by Edward R. Hines

Predominate Features in State Support for FY1992

A series of characteristics provide a bold outline of state support for higher education for the 1991-1992 academic year and 1992 Fiscal Year. For the second consecutive year, state governments appropriated more than \$40 billion for the nation's colleges and universities. However, for the first time in the 33 years during which these statistics have been collected and reported in the monthly research report Grapevine, FY1992 marked a turn downward in state higher education support. Several features were outstanding. First, there was a one-year decline of \$46.5 million in the total amount appropriated by state government to higher education, nationally, from \$40.1 billion in FY1991 to slightly less than \$40.1 billion in FY1992. This dollar decrease is the first time on record that there was a decline, rather than a gain, from the preceding year. Second, accordingly, there was a slightly negative one-year percentage change of one-tenths of a percent (0.1%) from the preceding year.

Nationwide Changes

Because of the downward turn in support from FY1991 to FY1992, one-year changes are included in this report. (See the summary table on page 3072.) It has been the custom to report two-year percentage changes in Grapevine, in order to even out the idiosyncratic "peaks and valleys" which may be experienced in single-year increments. Utilizing two-year changes, there were both dollar and percentage gains from FY1990 to FY1992. There was nearly a \$1 billion (\$990,190,000) and 2.5% gain over the most recent two-year period.

Even using two-year changes, however, these dollar and percentage gains are by far the smallest on record. Usually, dollar gains exceed \$2 billion over two years, and two-year changes, until FY1991, were in excess of 11%. Table 1 demonstrates these and related changes. Until 1991, there was at least a doubling in the magnitude of dollars to support higher education during each ten-year period. Had this record of support continued in FY1992, the appropriations for higher education would have been \$6 billion more than actually occurred.

The two-year gains in the 20% to 30% range during the 1960s and early 1970s gave way to two-year percentage changes in the teens during the 1980s. Thus far in the 1990s, percentage changes have been in the single digits with the most recent two-year gain at 2.5%.

Table 1

Fiscal Years	1982	1983*	1984*	1985*	1986*	1987*	1988*	1989*	1990	1991	1992
Billions of Dollars	23.0	24.4	25.9	28.4	30.7	32.2	34.4	36.6	39.1	40.1	40.1
1-Yr Gain (\$billions)	2.0	1.3	1.5	2.5	2.3	1.5	2.2	2.2	2.5	1.0	0
1-Yr Gain (Percent)	9.5	5.6	5.9	9.7	8.0	4.8	6.8	6.3	4.4	2.7	0
2-yr Gain (Percent)	19.6	16.3	11.8	16.2	18.8	13.1	12.0	13.5	14.7	9.6	2.5

*Data for these fiscal years have not been revised from earlier reports.

Recent Trends in Two-Year Gains

In Table 2, using changes in two-year gains, there are three groups of states. Looking first at the one state in which there were identical two-year gains, in North Dakota 12% was reported in both FY1991 and in FY1992. There were nine states where the two-year percentage gain for FY1992 was larger than the comparable gain for FY1991. By far, the largest group of states (40) experienced smaller FY1992 two-year gains compared with those reported in FY1991. In fact, there were 13 states reporting negative changes in two-year percentage gains from FY1990 to FY1992.

A trend over the most recent five years is evident from Table 3, showing the numbers of states reporting increases or decreases in two-year percentage gains each year. The number of states reporting increases in two-year percentage gains has decreased dramatically each year since 1990, when 31 states reported increases in two-year gains from the preceding year. That number declined to 17 in 1991 and to nine states reporting increases in the current fiscal year.

Similarly, there have been rapid increases in the numbers of states reporting decreasing two-year percentage gains since 1990, when 15 states reported a decrease from the preceding year. Since then, that number has more than doubled, with 26 states reporting decreases in 1991 and 40 states reporting decreases in 1992.

Table 3

Fiscal Year	1988	1989	1990	1991	1992
Increasing	17	26	31	17	9
Decreasing	28	20	15	26	40
Identical	5	4	4	7	1

Table 2

9 States with Increasing 2-Year Gains, FY91 to FY92			40 States with Decreasing 2-Year Gains, FY91 to FY92		
State	FY91*	FY92	State	FY91*	FY92
Arkansas	3	20	Alabama	12	2
Hawaii	11	15	Alaska	9	1
Kentucky	17	23	Arizona	14	10
Montana	11	21	California	13	3
New Hampshire	1	9	Colorado	9	4
New Jersey	- 7	1	Connecticut	3	- 2
Oregon	16	18	Delaware	14	5
West Virginia	4	10	Florida	11	- 5
Wyoming	4	8	Georgia	18	- 1
			Idaho	27	24
			Illinois	22	1
			Indiana	16	11
			Iowa	20	7
			Kansas	18	3
			Louisiana	21	9
			Maine	21	8
			Maryland	26	- 2
			Massachusetts	- 20	- 28
			Michigan	11	9
			Minnesota	19	5
			Mississippi	4	- 5
			Missouri	16	- 2
			Nebraska	30	16
			Nevada	35	31
			New Mexico	21	18
			New York	3	- 13
			North Carolina	12	- 1
			Ohio	15	2
			Oklahoma	23	20
			Pennsylvania	12	8
			Rhode Island	- 1	- 17
			South Carolina	12	4
			South Dakota	16	13
			Tennessee	8	- 2
			Texas	15	8
			Utah	12	9
			Vermont	11	- 3
North Dakota	12	12	Virginia	5	- 5
			Washington	17	13
			Wisconsin	14	9

*The percentages of gain for FY1991 are those which were reported last year, without taking into account revisions which have occurred since November 1, 1990. This is justified by the fact that, almost without exception, the differences between the two-year percentage gains are so great that even revisions to appropriations would not significantly change the groupings of states.

Another measure of these negative trends may be to identify the number of states reporting a "negative gain" or absolute decline in any one year. In 1988, eight states were in the negative category. In 1989, three states were in the negative. In 1990, only Massachusetts reported a negative two-year change. However, this negative number increased to three states in 1991 (Massachusetts, New Jersey, Rhode Island), then went to a sizeable 13 states that reported negative two-year percentage changes in FY1992 over FY1990.

The Megastates

The megastates include that group of highly industrialized states, having large populations and relatively large higher educational systems, and appropriating to higher education greater than \$1 billion, as reported to Grapevine. In FY1991, there were 12 of these megastates, ranging in magnitude from the nearly \$6 billion appropriated to higher education by California, over \$3 billion by New York, \$2.6 billion by Texas, to Florida, Illinois, Michigan, Minnesota, New Jersey, North Carolina, Ohio, Pennsylvania, and Virginia, each appropriating between \$1 billion and \$1.7 billion annually to their respective higher education systems.

In FY1992, that picture changed. In FY1992, Minnesota appropriated less than \$1 billion, reducing the total number of megastates to 11. California continued to lead the group with an appropriation of more than \$5.6 billion, almost double the amount appropriated in Texas (\$2.8 billion) which moved into second place, ahead of New York which fell to less than \$2.8 billion. All of the other megastates continued to appropriate between \$1 billion and \$1.7 billion. In FY1992, the dollar amounts appropriated in Florida, North Carolina, Ohio and Virginia were slightly less than the amounts appropriated in FY1991. Michigan, New Jersey and Pennsylvania had slight increases in appropriations in FY1992. Illinois' FY1992 appropriation was only \$255,000 less than FY1991. (See the summary table.)

In FY1992, in percentages of two-year gains, seven had positive two-year percentage gains and four had negative two-year percentage gains. Of those having positive two-year gains, Michigan led with 9%, followed by Pennsylvania and Texas at 8%. These three were the only megastates to appear in the top half of the rankings on two-year percentage gains; eight of the 11 megastates were in the bottom half with four of the eight in the bottom quartile of the states.

Shifting the focus to one-year percentage gains, only four of the 11 states experienced positive single-year percentage gains from FY1991 to FY1992. Texas led the megastates in single-year gains at 9%, followed by New Jersey at 7%, Pennsylvania at 6%, and Michigan at 4%. Seven of the 11 megastates were in the negative with New York at -11%, Florida and Virginia at -4%, North Carolina at -3%, California at -2%, Ohio at -1% and Illinois at zero.

A Regional View of FY1992

In this "Retrospective," the 50 states can be arranged according to geographic quadrants and quartiles, using rank order descending two-year percentage gains. Table 4 displays these quadrants and quartiles. Quadrants were formed by dividing the United States into four, relatively-even regions by locating a hypothetical national "center point" at the Northeast corner of Missouri. The Mississippi River divides East from West, and the Ohio River and southern border of Pennsylvania divide Northeast from Southeast. Alaska is placed with the Northwest and Hawaii is placed with the Southwest. The quartile grouping, which is based upon descending two-year percentage gains, may experience varying numbers of states in a quartile from year-to-year because of the "natural breaks" between quartile groupings at specific percentage points. For instance, for FY1992, there were 13 states in the top quartile (12% to 31%), 12 states in the second quartile (8% to 11%), 12 states in the third quartile (1% to 7%), and 13 states in the bottom quartile (-1% to -28%). This year, all states in the bottom quartile experienced absolute declines.

Table 4

Quadrants	NW*	SW**	NE	SE	Totals
<u>Quartiles</u>					
Highest	7	5	0	1	13
Second	1	4	6	1	12
Third	3	3	3	3	12
Lowest	0	1	5	7	13
Totals	11	13	14	12	50
*Includes Alaska		**Includes Hawaii			

By combining quadrants and quartiles, observations can be made along regional lines. There were no Northeastern states in the top quartile, and eight of the 14 Northeastern states were in the bottom half. The southeast fared even worse with a single state in each of the top two quartiles, but 10 of the Southeastern states were in the bottom half. An opposite picture emerged west of the Mississippi. Eight of the 11 Northwestern states were in the top half with seven of the eight in the top quartile; there was no Northwestern state in the bottom quartile. Similarly, in the Southwest there were nine of 13 states in the top half with only one state in the bottom quartile.

Analysis of Trends in State Support for FY1992

This analysis is preliminary. Given predominantly negative characteristics of state higher education support in FY1992, much will be said in continuing analyses of the causes and consequences of the turnaround in state support. This analysis begins to suggest trends, as well as explanations for these trends.

Regional Variations. In FY1992, as in FY1991, the geographic delineation was one of East versus West, with many eastern states having difficulty making gains in higher education support. In New England, four of the six states had negative two-year changes led by Massachusetts's -28%, and declines in Rhode Island (-16%), Vermont (-3%), and Connecticut (-2%). New Hampshire led New England in two-year gains with 9%, closely followed by Maine with 8%.

In the Southeast, only Kentucky appeared in the top quartile with a strong 23% gain. West Virginia was in the second quartile with 10%.

West of the Mississippi, it was quite different. Twelve of the 24 western states were in the top quartile. Missouri was the only Southwestern state in the bottom quartile.

Revenue Variations. In FY1992, a major problem for the states was revenue capacity, given the strain on state resources by other public services, such as the public elementary and secondary schools, the inadequate flow of funds into state treasuries, and the continuing negative impact of the nationwide recession on state economies. In FY1992, it appears that many state legislatures struggled to provide adequate funds to meet increasing demands. Some met in extended sessions and others held special sessions which were limited to consideration of fiscal matters. Table 5 utilized an annual summer survey of the National Conference of State Legislatures (NCSL) in which chief fiscal officers of state legislatures indicated their projections of the percentages of increases in their states' general fund from FY1991 to FY1992.

The states displayed in Table 5 are the eleven highest and the ten lowest in percentages of one-year gain, using Grapevine data. Revenue capacity from the NCSL survey appears in the columns showing general fund percentage increases. Willingness of lawmakers to appropriate available revenues is measured by the percentage increase in total state tax appropriations from FY1991 to FY1992, reported in the NCSL survey. In the remaining columns are the one-year percentage changes in state appropriations for higher education using current Grapevine data.

Table 5

TOP ELEVEN ONE-YEAR GAINERS				BOTTOM TEN ONE-YEAR GAINERS			
States	General Fund Increase ¹	State Approp Increase ¹	Higher Education Increase ²	States	General Fund Increase ¹	State Approp Increase ¹	Higher Education Increase ²
	1-year %	1-year %	1-year %		1-year %	1-year %	1-year %
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Arkansas	4.9	4.9	18	Alabama	4.2	- 2.6	- 4
Nevada	11.7	7.1	17	Virginia	5.4	- 2.3	- 4
Montana	13.1	11.3	13	Connecticut	Not reported		- 4
North Dakota	- 0.6	12.9	12	Florida	10.4	11.1	- 4
Oregon	8.3	8.3	11	Alaska	- 25.9	- 0.2	- 4
Kentucky	5.0	10.1	11	Missouri	2.1	1.2	- 6
Hawaii	6.6	- 1.1	10	Rhode Island	6.7	1.6	- 9
Texas	Not reported		9	Georgia	6.4	3.7	- 9
Oklahoma	3.2	4.4	9	New York	1.9	- 1.6	- 11
South Dakota	2.4	6.8	7	Massachusetts	Not reported		- 16
New Jersey	19.8	18.3	7				
Mean in FY92	7.4	8.3	11.3	Mean in FY92	1.4	1.4	- 7.1

Sources: ¹Eckl, Corina L., Anthony M. Hutchinson and Ronald K. Snell. State Budget and Tax Actions, 1991. Denver, CO: National Conference of State Legislatures.
²Grapevine

Using Grapevine's percentages of one-year gain as a measure of higher education "effort," some inferences may be drawn from Table 5. The revenue capacity of the top group of states was over five times that of the bottom 10 states, 7.4% versus 1.4%. Clearly, states making greater effort for higher education had significantly greater revenue capacity than did states making less effort. In "lawmaker willingness," there was even a larger difference between top and bottom states (8.3% v. 1.4%). In states making greater effort for higher education, there was significantly greater willingness to support public services, generally, than occurred in those states making relatively less effort for higher education. There was a sizeable difference between the top and bottom states in percentages of one-year gain (11% v. -7.1%), a difference of 18 points. Parenthetically, the three states from which no report was available for the NCSL study were among those states which had extended or special legislative sessions, mentioned above.

State Support for Student Financial Aid. State tax appropriations data, as reported in Grapevine, are intended to be used in aggregate analysis at the state level. More specific line items, such as state support for student financial aid, are not intended to be analyzed using Grapevine data.

Nonetheless, it was possible to discern 31 states, for FY1992, that isolated budgetary items for student financial aid. This does not indicate that there were only 31 states that appropriated state tax funds for student financial aid. Rather, it indicates that there were 31 states where student financial aid data could be identified. In these 31 states, the mean two-year gain in student financial aid was 15.4%. This amount is more than six times greater than the 2.5% two-year gain for higher education, nationwide. Among the 31 states, there were

22 states where percentage increases for student aid were larger than the percentage increases for higher education as a whole. There were only nine states where percentage increases for student aid were less than the increases for higher education as a whole.

State Support to Community Colleges. State tax support is one of several revenue sources for community colleges. In recent years, the two-year percentage gains for state support to community colleges have been slightly-to-moderately greater than the percentage increases to higher education as a whole. In FY1992, community colleges fared substantially better than higher education as a whole. In the 34 states where state support to community colleges could be identified, a 12.5% gain occurred from FY1990 to FY1992; the nationwide two-year gain in FY1992 was only 2.5%. State support to community colleges, therefore, was five times greater than to higher education as a whole. Specifically, in 26 of the 34 states, there were percentage gains for community colleges which were larger than for higher education as a whole. Only in eight states was community college support smaller than percentage increases for higher education as a whole.

Summary of State Financing Conference. The fiscal difficulties in the states, resulting in a downturn in state higher education support observed in this report, were increasingly observable during the latter part of FY1991 and early in FY1992. These concerns led to an October, 1991, national conference which was cosponsored by the American Council on Education, the State Higher Education Executive Officers, the Education Commission of the States, the American Association of State Colleges and Universities, and the American Association of Community and Junior Colleges. The conference stimulated discussion and debate about many of the key issues involved in state higher education support, and a number of observations were made by this researcher. It is recognized that tuition increases have largely been precipitated by fiscal difficulties in state governments, but there is great concern in the higher education community to hold down further tuition increases to the extent possible. There is a great desire to promote increases in student financial aid which will provide at least partial support for defraying tuition increases, in order to preserve access and opportunity. Finally, many observers noted that substantial increases in state higher education support may be a thing of the past, but there is significant interest and desire to create as many fiscal alternatives as possible in order to provide the financial support needed by higher education. These alternatives involve campus-based fund-raising, reallocation and program reconfigurations which generate revenue needed in other areas, and system leadership which will assist campus officers in identifying solutions to the current fiscal crisis.

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