

Fiscal Highlights

Higher Education Tuition and State Tax Funding - Spencer C. Pratt

The Executive Appropriations Committee heard a report on tuition and state tax funding in higher education. The report looked at three issues: (1) the historical relationship between changes in state tax funding and tuition increases, (2) differences in the amount of tuition appropriated and the amount enacted by institutions, and (3) comparisons of tuition at USHE institutions and similar institutions in other states.

Since 2000, state tax funding has increased 62%, while during the same time, tuition has increased 287%. For the past five years, the total USHE funding has been approximately 50% from tax funds and 50% from tuition.

Using statistical analyses, we determined that the correlation between increases in new state tax funds and tuition increases is statistically insignificant. Better predictors of future tuition increases include previous tuition increases, number of FTE students, wage growth, and inflation.

While the Legislature approves higher education appropriations of approximately \$1.3 billion (FY 2013), the report identified the situation in higher education where almost two-thirds of the total institutional revenues and expenditures are not-appropriated. Non-appropriated revenues come from grants, contracts, auxiliary services, federal appropriations and grants, gifts, contributions, investment income, and other sources. In FY 2013, non-appropriated revenues totaled approximately \$2.28 billion (not including the University of Utah hospital).

Because the State Board of Regents approves tuition increases after each general session, the amount of tuition included in the appropriation acts is less than that implemented by the institutions. The report found that the lag reflected a difference in the amount of actual tuition and estimated tuition of between 3% and 14%.

Comparisons of tuition were made between USHE institutions and other similar institutions in the Western states (WICHE), Rocky Mountain states, and peer institutions across the country. Generally, in the case of the two research universities (U of U and USU) and the four teaching universities (WSU, SUU, UVU, and DSU), tuition at the USHE institutions is lower than the averages of all three groups. However, this is not the case when looking at the three community colleges (Snow, USU-E, and SLCC). The tuition at each of these USHE colleges is higher than the corresponding averages in other states.

The study recommended the following:

1. The Legislature should consider including all higher education revenue sources and expenditures in appropriations.
2. The State Board of Regents should submit tuition increases as part of its plan of financing when it presents its budget.