

USHE HISTORICAL FUNDING

HIGHER EDUCATION
STAFF: SPENCER PRATT

ISSUE BRIEF

SUMMARY

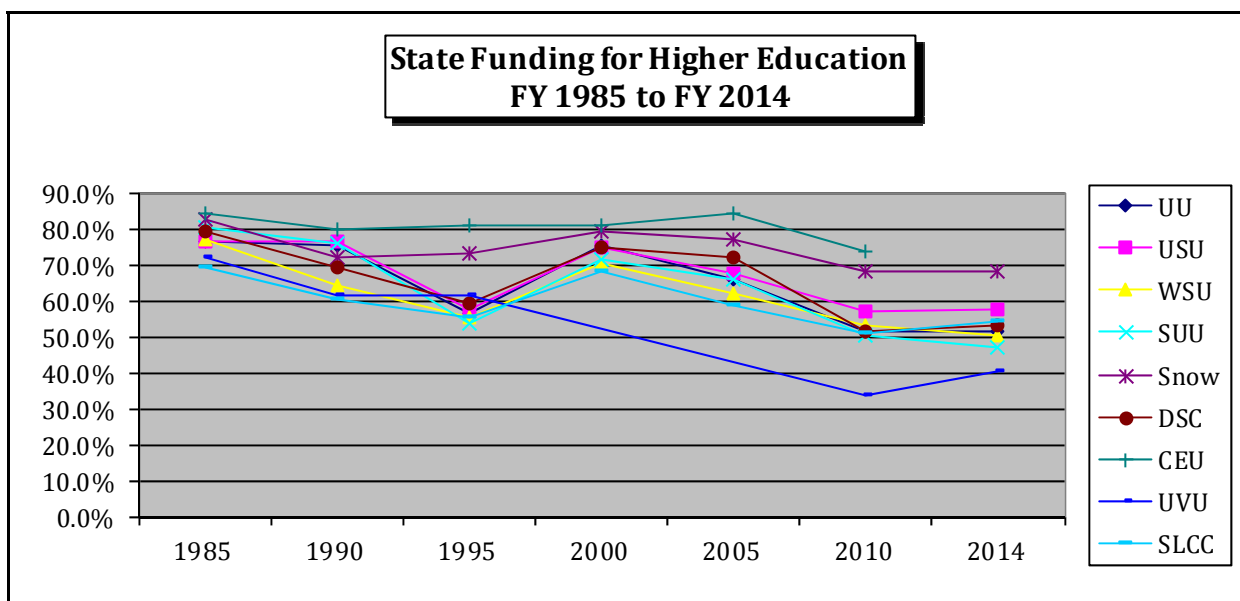
The funding of higher education in Utah has changed considerably over the past 30 years. In 1985, State tax funds provided support, on average, for 77.4 percent of higher education’s Education and General costs, with dedicated credits (tuition) picking up the balance. In FY 2014, the State support covers 51.6 percent of the total with tuition picking up 46.8 percent.

OBJECTIVE

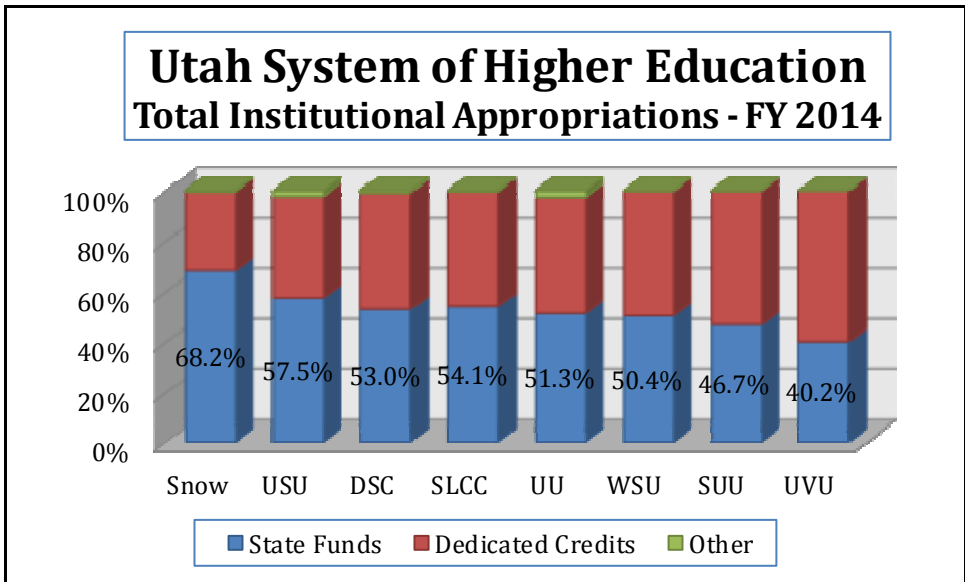
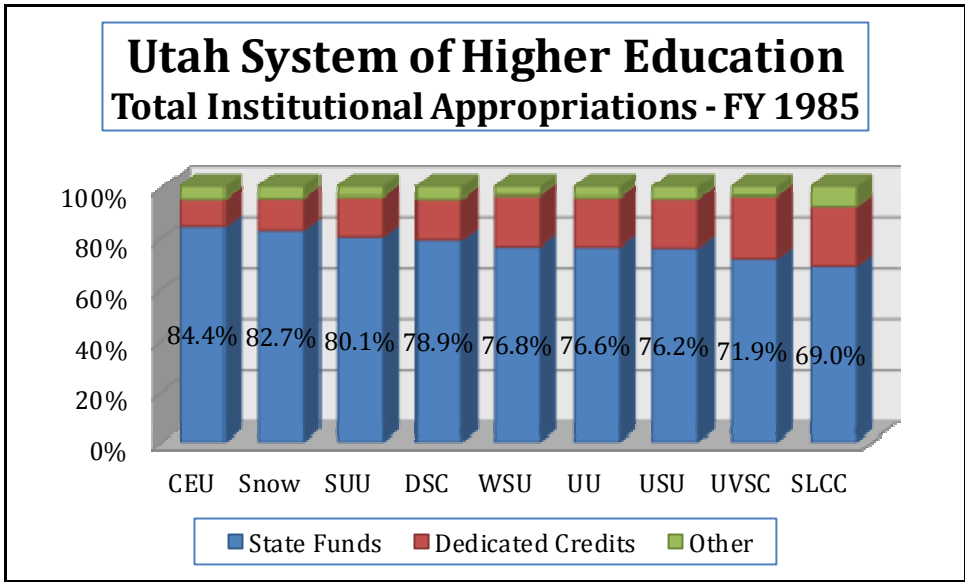
The objective of this Issue Brief is to provide information as to the historical trends in the funding of higher education, along with the implications of those changes.

DISCUSSION AND ANALYSIS

Approximately 30 years ago, state funding, as a percentage of total funding for Higher Education, averaged 77.4 percent across all nine institutions. The range was from 84.4 percent (College of Eastern Utah) to 69 percent (Salt Lake Community College). Five years later, the average had dipped to 70.5 percent. In 1995, the average was at 67 percent. In FY 2000, the average increased slightly to 69.8 percent. However, the next couple of years, the state experienced revenue shortfalls and budget reductions were implemented. Following those years, in FY 2005, the percentage of funding for Higher Education from state funds had dropped to 61.8 percent. Appropriations dropped for three years beginning in FY 2008, but have moved up a little during the past three years. The FY 2014 funding level shows that Snow College has the highest percentage of state funding at 68.2 percent and Utah Valley University has the lowest percentage at 40.2 percent. The following chart shows the trend in the percentage of state funding from 1985 to 2014.



As the state funding has decreased, the other main source of funding - tuition - has increased. This can be seen in comparing the following two charts – the first showing the funding distribution in FY 1985, and the second the same distribution in FY 2014. As the State Funds (blue bar) shrink, the Tuition (red bar) increases.



Compensation increases are funded with a combination of state funds and first-tier tuition increases. Until FY 2007, tuition dollars were used to cover part of the compensation increases at approximately the same percentage rate that tuition funded the institution. Beginning in FY 2007, the Legislature approved capping the percentage of tuition used to cover any compensation increase at 25 percent, with state tax funds covering the balance. Second-tier tuition increases are recommended by institutions, with input from student representatives, and approved by the State Board of Regents, for specific proposals, such as library support, additional advising and counseling services, new faculty and student services.

This trend of decreased state funding and increased tuition is reflective of national trends. According to the State Higher Education Executive Officers' FY 2011 "State Higher Education Finance Report," The share of state and local revenue for general operating expenses for higher education origination from net tuition revenue showed an increase from 32.2 percent in 2008 to 39.0 percent in 2011."¹

¹ State Higher Education Finance Report, State Higher Education Executive Officers, FY 2011, pg. 7.