

Grapevine

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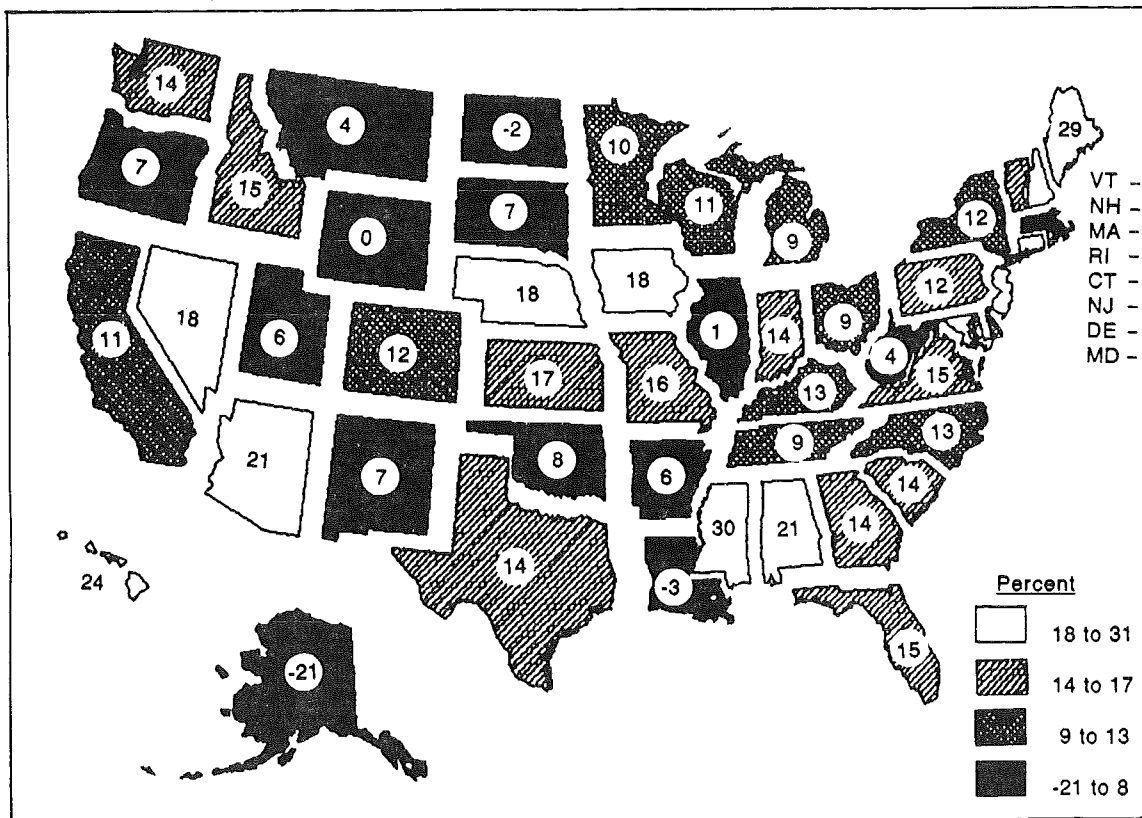
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TIMELY DATA CIRCULATED WHILE CURRENT

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

PERCENTAGES OF TWO-YEAR GAINS IN APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF HIGHER EDUCATION IN THE FIFTY STATES, FISCAL 1989 OVER 1987



STATE TAX FUND APPROPRIATIONS FOR OPERATING EXPENSES OF HIGHER
EDUCATION FOR FISCAL YEARS 1978-79, 1986-87, AND 1988-89,
WITH PERCENTAGES OF GAIN OVER THE MOST RECENT TWO AND TEN YEARS.
(In thousands of dollars)

States	Year 1978-79	Year 1986-87	Year 1988-89	2-yr gain Percent	10-yr gain Percent
(1)	(2)	(3)	(4)	(5)	(6)
Alabama	328,494	632,054	763,000	21	132
Alaska	84,593	208,356	164,733	- 21	95
Arizona	218,166	450,681	544,560	21	150
Arkansas	140,319	270,530	286,399	6	104
California	2,344,345	4,507,731	5,011,510	11	114
Colorado	237,310	423,132	475,181	12	100
Connecticut	206,901	384,589	467,385	22	126
Delaware	48,831	96,797	107,516	11	120
Florida	535,809	1,278,584	1,474,345	15	175
Georgia	346,731	714,004	812,299	14	134
Hawaii	113,767	220,845	274,233	24	141
Idaho	83,322	126,030	144,987	15	74
Illinois	845,579	1,391,996	1,399,444	1	66
Indiana	369,308	661,635	755,614	14	105
Iowa	275,065	404,701	478,991	18	74
Kansas	222,216	325,725	382,326	17	72
Kentucky	272,909	458,968	518,361	13	90
Louisiana	278,169	499,569	483,034	- 3	74
Maine	49,047	125,701	162,432	29	231
Maryland	292,755	569,975	695,261	22	137
Massachusetts	273,333	816,374	868,426	6	218
Michigan	733,978	1,225,522	1,338,033	9	82
Minnesota	433,761	782,471	861,462	10	99
Mississippi	218,950	326,353	425,751	30	94
Missouri	284,836	476,420	550,609	16	93
Montana	55,050	101,187	105,277	4	91
Nebraska	140,538	215,234	253,431	18	80
Nevada	50,112	102,419	121,249	18	142
New Hampshire	27,542	55,961	72,454	29	163
New Jersey	442,277	893,549	1,129,452	26	155
New Mexico	119,474	250,719	268,800	7	125
New York	1,421,407	2,770,779	3,110,021	12	119
North Carolina	521,863	1,172,120	1,329,606	13	155
North Dakota	61,747	120,472	118,072	- 2	91
Ohio	604,651	1,208,155	1,320,460	9	118
Oklahoma	196,595	383,690	415,191	8	111
Oregon	204,000	335,998	361,189	7	77
Pennsylvania	697,987	1,105,210	1,268,759	12	77
Rhode Island	68,972	117,479	138,802	18	101
South Carolina	265,076	504,124	576,598	14	118
South Dakota	47,466	72,214	77,369	7	63
Tennessee	312,799	615,764	673,881	9	115
Texas	1,042,243	1,967,184	2,245,958	14	115
Utah	132,524	244,386	259,615	6	96
Vermont	25,509	46,083	53,855	17	111
Virginia	425,797	902,068	1,033,096	15	143
Washington	382,750	628,981	719,437	14	88
West Virginia	148,249	241,865	252,618	4	70
Wisconsin	433,482	666,525	738,670	11	70
Wyoming	47,043	114,188	114,753	0	144
Totals	17,113,647	32,215,097	36,204,505		
Weighted average percentages of gain				12	111

STATE TAX SUPPORT OF HIGHER EDUCATION: A RETROSPECTIVE OF FY1989

Introduction and Purpose

This summary contains state tax appropriations for operating expenses of higher education in the 50 states for Fiscal Year 1989. Decisions on these state tax appropriations for FY1989 were made by the state legislatures during the 1988 legislative year. Initially, these data appear in Grapevine. Next, they are published in abbreviated form in an October issue of The Chronicle of Higher Education. Finally, appropriations for the current fiscal year and for the preceding fiscal year are published in complete form in a report distributed by the National Association of State Universities and Land-Grant Colleges. These data are furnished by a network of state higher education finance officers or other higher education officials in the 50 states.

In the words of the founding editor, M. M. Chambers, Grapevine is a "longitudinal study of state tax support of higher education in the United States." These state tax appropriations data are the earliest figures available and are published in Grapevine as soon as possible after state legislative decisions are made. In addition to the timeliness of these data, they are as accurate as possible. Grapevine data essentially provide an early notification to a national audience about legislative decisions made for the current fiscal year. This appropriations measure is an indicator of state tax effort for operating expenses of higher education. However, it is not the only measure of support of higher education. For example, Grapevine tabulations do not include sums from sources other than state taxes; also excluded are amounts for capital expenditures and for student tuition and fees. Other measures--especially those including local tax appropriations--may be of special importance in those states which have large community college systems. In some states, legislatures may appropriate significant amounts to higher education from non-tax sources. Depending on individual state circumstances, these other measures need to be included in order to formulate a more complete picture of state support for higher education.

Researchers and policy analysts are advised that there are other sources and analyses of interstate higher education finance data. Just as more measures than state tax appropriations may need to be utilized in order to present a complete view of higher education support, more than a single analysis of data should be utilized. Three sources in particular are recommended. These are the "National Comparison of Financial Support for Higher Education" prepared by Jacquelyn Johnson of the Higher Education Coordinating Board in the State of Washington; How the States Compare in Financing Higher Education by Kent Halstead which may be purchased from Research Associates, 2605 Klinger Road, N. W., Washington, D.C. 20008; and the complete governmental compilation entitled, State Higher Education Profiles, published by the Center for Education Statistics, U.S. Department of Education.

Table 1

Fiscal Years	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Billions of Dollars	17.1	19.2	20.9	23.1	24.4	25.9	28.4	30.7	32.2	34.2	36.2
1-Yr Gain (\$billions)	1.6	2.1	1.7	2.2	1.3	1.5	2.5	2.3	1.5	2.0	2.0
1-Yr Gain (Percent)	10.9	12.1	9.6	10.1	5.6	5.9	9.7	8.3	4.8	6.1	5.8
2-yr Gain (Percent)	22.6	24.3	22.9	20.7	16.3	11.8	16.2	18.8	13.6	11.3	12.4

Note: Some of the above figures differ from those reported in earlier reports because of revision of original legislative decisions.

A Retrospective View of FY1989

For FY1989, there were three distinguishing features in state tax support for higher education. First, more than \$36.2 billion for operating expenses of higher education were appropriated by state legislatures, and this was an increase of \$2 billion from the previous year (FY1988). Second, there was a 12.4% increase in two-year gain over FY1987, thus slightly ahead of the 11.3% increase reported in FY1988 over FY1986. The third distinguishing feature of the FY1989 figures was the lack of clear regional distinctions which were reported for the last two years, except for some continued fiscal difficulties west of the Mississippi River. The specifics of the gain this year are analyzed below.

Nationwide Gains. The nationwide total number of dollars, gains in dollars, and gains in percentages are shown in Table 1 for the period from FY1979 through FY1989. Comparing the '79 and '89 points in time, the magnitude of state support for higher education more than doubled (from \$17 billion to \$36 billion). There was a one-year gain of \$2 billion from FY1988 to FY1989. This \$2 billion increase was greater than that reported in five of the previous ten years, and less than the one-year gains reported in 1980, 1982, 1985 (the high point with \$2.5 billion gain over one year), and 1986. The low point in magnitude of gain occurred in 1983 (\$1.3 billion) and there were \$1.5 billion in gain reported in 1984 and in 1987. Admittedly, these gains are small in magnitude; nevertheless, they are gains. In one-year percentage gains over the decade, the low point was reported in 1987 (4.8%), the high point of 12.1% in 1980, and nearly a six percent gain was reported this year (5.8%). In two-year percentage gains, the low point occurred in 1988 (11.3%), the high point in 1980 (24.3%), and this year there was a two-year percentage gain of over 12 (12.4%). One can observe a substantial decline in the rate of percentage gains during the decade from two-year percentages gains in the 20s in the early 1980's to the low teens presently.

Two-year Gains Among the States. Table 2 shows two-year percentage gains for all states, grouped according to the number of states reporting an increase, a decrease, or the same two-year gain from FY1986 to FY1988, compared to the gain reported from FY1987 to FY1989. This year there were 26 states reporting increasing two-year percentage gains, compared to only 17 states last year. On the other hand, there were 20 states reporting decreasing two-year percentage gains this year, compared to 28 states last year. In both 1988 and 1989, four states reported identical two-year gains.

Table 2

26 States with Increasing 2-Year Gains, FY88 to FY89			20 States with Decreasing 2-Year Gains, FY88 to FY89		
State	FY88 (%)	FY89 (%)	State	FY88 (%)	FY89 (%)
Alabama	-4	21	California	14	11
Alaska	-30	-21	Connecticut	26	22
Arizona	14	21	Florida	21	15
Arkansas	-7	6	Idaho	17	15
Colorado	10	12	Indiana	16	14
Hawaii	22	24	Kentucky	15	13
Iowa	15	18	Maine	40	29
Kansas	5	17	Massachusetts	26	6
Louisiana	-8	-3	Michigan	13	9
Maryland	16	22	Minnesota	16	10
Mississippi	4	30	Nevada	19	18
Missouri	12	16	New Hampshire	33	29
Montana	-1	4	New Mexico	12	7
Nebraska	8	18	New York	15	12
New Jersey	20	26	North Carolina	19	13
Oklahoma	-9	8	Ohio	14	9
Pennsylvania	12	15	Oregon	12	7
Rhode Island	16	18	Tennessee	17	9
South Carolina	5	14	Virginia	19	15
South Dakota	5	7	Wyoming	3	0
Texas	1	14			
Utah	5	6			
Vermont	13	17			
Washington	13	14			
West Virginia	2	4			
Wisconsin	8	11			
			Four States with Identical 2-Year Gains, FY88 to FY89		
			Delaware	11	11
			Georgia	14	14
			Illinois	1	1
			North Dakota	-2	-2

Among the 26 states reporting increases in two-year percentage gains from 1987 to 1989, several made large gains. Mississippi gained 26 percentage points from 4% to 30%, Texas went from 1% to 14%, Oklahoma from -9% to 8%, Kansas from 5% to 17%, and Alabama from -4% to 21%. These included some states which had been showing very low or negative gains. Other states increased already strongly positive support for higher education, such as Hawaii (22% to 24%) Iowa (15% to 18%), Maryland (16% to 22%), and New Jersey (20% to 26%). The 20 states experiencing decreasing two-year percentage gains included those with large decreases, such as Massachusetts (26% to 6%), Maine (40% to 29%), and Tennessee (17% to 9%). The remaining 16 states experienced small decreases of 8 percentage points or less.

The Megastates. Using a term coined by Neal Pierce, the "Megastates" of America are those states having large populations and concentrations of economic productivity, manufacturing output, and wealth. They include those states appropriating more than one billion dollars annually for higher education. There have been ten states in that category for several years, and Virginia joined the group this year. These are the states with large, extensive higher education systems. Together, these states appropriated \$20.6 billion for higher education in FY1989, representing 57% of the total amount appropriated for higher education in the nation. Generally, these states appropriated funds to higher education at a slower rate of increase than in previous years. This rate of percentage gain was nearly one percentage point less than the national average of a 6% increase from FY1988 to FY1989. Of the 11 states in this category, 80% of the increase was represented by California, Florida, New Jersey, New York and Virginia. Increases of less than \$100 million each were made by Illinois, Michigan, North Carolina, Ohio, Pennsylvania and Texas.

A Regional View of Fiscal Year 1989

By arranging the 50 states in quadrants and quartiles, as shown in Table 3, we can examine regional patterns and variations more closely. Using quartiles permits a focus on four groups according to rates of two-year percentage gains. Because of the places at which percentage differences enabled groupings to be made, 13 states were placed in the top quartiles and 14 in the bottom quartile. Quadrants were formed by dividing the nation into four fairly-even geographic sections. The northeast corner of Missouri was the center; the Mississippi River divided East from West, and the Ohio River and southern border of Pennsylvania divided Northeast from Southeast. The Northeast has 14 states; Southwest, 13; Southeast, 12; and the Northwest has 11 states.

The top quartile of 13 states ranges from Mississippi with the highest percentage gain in the nation at over 30%, to eight states with percentage gains in the 20s, and four states with gains at 18%. The two middle quartiles have 12 and 11 states, respectively, with the second quartile ranging from over a 17% two-year gain in Kansas down to a group of six states at 14%. The third quartile ranges from North Carolina at over a 13% gain down to three states at 9% two-year gains. The lowest quartile of 14 states begins with Oklahoma and Oregon at 8%, and declines to three states in the negative percentage gain: North Dakota, Louisiana, and Alaska.

Table 3

Quadrants	NW*	NE	SE	SW**	Total
Highest	2	5	3	3	13
Second	2	3	4	3	12
Third	1	4	4	2	11
Lowest	6	2	1	5	14
Total	11	14	12	13	50

*Includes Alaska
**Includes Hawaii

Among the four quadrants, there was a more even distribution this year than in either FY1988 or FY1987 when the New England states, the Midsouth and selected Western states experienced the highest two-year gains. This year, in the Southeast there were seven states in the top half compared to four states in the bottom half. Both the Northeast and Southwest had about the same number of states in the top and in the bottom halves. The Northwest had seven states in the bottom half and only four states in the top half.

There was a more diverse regional pattern of states in the top quartile this year, and a larger grouping of Western states in the bottom quartile. Yet, eight of the 13 states in the top quartile were in the East. Four of the six New England States (New Hampshire, Maine, Connecticut, and Rhode Island) appeared in the top quartile. New Jersey was the other Northeastern state in the top quartile. Three of the 12 Southeastern states were in the top quartile (Mississippi, Maryland, Alabama). Only five of the 24 states west of the Mississippi River were in the top quartile (Hawaii, Arizona, Nevada, Nebraska, Iowa). States in the bottom quartile exhibited a situation with an over-representation of Western states. In location, these states form a broad arc beginning in the Southcentral area (Louisiana, Arkansas, Oklahoma, New Mexico), then extending Northwest to Utah and Wyoming, the Northern Plains states of North Dakota, South Dakota, and Montana, and ending with Oregon and Alaska. Among Northeastern states, only Massachusetts and Illinois appeared in the bottom quartile, and West Virginia was the only Southeastern state in the bottom quartile.

Trends in State Support for Higher Education

Regional Variation. The national pattern was different this year from that exhibited during the previous two year. FY1987 and FY1988 were characterized by clear economic resurgence in New England, a strong performance of coastal states, and severe economic difficulties in the Southcentral and Northern Plains regions. This year, there was a more diverse representation of states in the upper quartile with a leaning toward Eastern states being in the upper groupings, combined with a larger number of Western states in the lower quartiles. The Northern Plains states and selected Western states are continuing to experience difficulties in providing support to higher education, and this condition undoubtedly relates to revenue and taxation problems in those areas.

Overall, however, this analysis demonstrated that more states experienced increases in two-year percentage gains as reported in FY1989 compared to FY1988. In fact, the pattern nearly reversed with 26 states reporting two-year gains in FY1989 with only 20 states having experienced decreases in this most recent two-year period. An examination of the 11 "megastates" utilizing these increasing or decreasing groups revealed that only three of the 11 megastates (New Jersey, Pennsylvania and Texas) experienced increasing percentage gains in '89 versus '88. Fully, seven of these 11 states reported decreasing two-year gains (California, Florida, Michigan, New York, North Carolina, Ohio, and Virginia) and one state (Illinois) reported identical two-year percentage gains for the two years. The "gainer" states included a number of states with smaller higher education systems and thus appropriations amounts of small magnitude.

State Revenue Availability. This report has recognized the importance of state revenue availability in the capacity of a state to support higher education. If states are not or cannot produce revenue through taxation systems, higher education as well as other public services will not fare as well as when revenue becomes more plentiful. States do not engage in deficit financing. In order to illustrate this point, Table 4 displays data obtained from a national survey completed by the National Conference of State Legislatures (NCSL). The percentage gains in states' general funds and in total state appropriations are illustrated for the period FY1988 to FY1989. Two year percentages gains in appropriations for higher education in the top nine states and in the bottom ten states were identified and displayed along with one-year percentage gains for general funds and total appropriations from a report from the NCSL. (Nine state were used, rather than 10 states, in the top category, because four states clustered around the 19% cutoff point.) Table 4 demonstrates clearly that states having large increases in their general funds are able to show greater percentage gains in total appropriations, including percentage gains in higher education appropriations.

Table 4

TOP NINE TWO-YEAR GAINERS				BOTTOM TEN TWO-YEAR GAINERS			
States	General Fund Increase ¹ 1-year %	State Approp Increase ¹ 1-year %	Higher Education Increase ² 2-year %	States	General Fund Increase ¹ 1-year %	State Approp Increase ¹ 1-year %	Higher Education Increase ² 2-year %
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Mississippi	7.7	11.3	30.5	Massachusetts	*	*	6.4
New Hampshire	3.7	3.9	29.5	Utah	4.7	4.5	6.2
Maine	7.1	14.6	29.2	Arkansas	3.8	15.5	5.9
New Jersey	8.7	10.3	26.4	West Virginia	2.8	2.6	4.5
Hawaii	0.4	5.6	24.2	Montana	-1.9	1.6	4.0
Maryland	5.9	10.5	22.0	Illinois	3.0	12.6	0.5
Connecticut	12.2	11.7	21.5	Wyoming	-2.0	-18.2	0.5
Arizona	11.3	12.3	20.8	North Dakota	0.0	0.0	-2.0
Alabama	*	*	20.7	Louisiana	3.3	-4.4	-3.3
				Alaska	-16.6	-0.7	-21.0
Mean in FY89	7.3	9.1	24.7	Mean in FY89	-0.3	1.5	0.2
Mean in FY88	7.2	7.7	23.0	Mean in FY88	5.1	0.8	-5.3
Mean in FY87	5.6		26.1	Mean in FY87	-2.1		-0.4

*Not reported

Sources: ¹Gold, Steven D., Corina L. Eckl and Martha A. Fabricius. State Budget Actions in 1988. (Denver, CO: National Conference of State Legislatures) 1988.
²Grapevine

Table 4 also contains some interesting "aberrations" in the observations noted above. For instance, Hawaii had a very small increase in the general fund (0.4%) yet was able to give a 24% two-year gain to higher education. Similar effort for higher education was exerted by Mississippi, New Hampshire, Maine and Maryland. Perhaps this indicated that when states have more plentiful revenue, choice becomes an important factor in whether or not to allocate revenue to selected areas, including higher education. Further, at least some of the states in the higher education top quartile are those where higher education has been viewed as an important means of improving the economic development of the state (New Jersey, Connecticut, Maryland). On the opposite end of the spectrum, the same aberrations are not found. General fund increases were very low or even negative in all of the "bottom quartile" states, although both Arkansas and Illinois made considerable effort in increasing total state appropriations, but these increases were not extended to higher education.

The mean percentages were included on Table 4 from FY1988 and FY1987. The pattern appears fairly consistent. Available revenue in the states increases the opportunity for increasing higher education appropriations, but it does not guarantee increases. Such increases are within the prerogative of state lawmakers. This same table reported a year ago (FY1988) showed that there were eight states showing negative higher education gains (decreases among bottom quartile states). This year only North Dakota, Louisiana, and Alaska experienced negative gains in higher education appropriations.

Additional Considerations. There are a number of reasons why there were modest increases in state support to higher education in FY1989. Three such reasons are suggested here. First, education was identified as the leading fiscal issue in the states in the 1988 legislative sessions, when decisions were being made for FY1989. The NCSL survey indicated that elementary-secondary education was the leading fiscal issue in 28 states, and that higher education was the leading fiscal issue in Idaho, Maryland, Mississippi, Missouri, Nebraska, South Dakota, and Washington. Six of these seven states (excepting for South Dakota) were in the top or second highest quartiles in higher education support. The NCSL report indicated that elementary-secondary education fared better than higher education in FY1989, and that higher education did not fare as well as in FY1988. Although the numerical differences are small in magnitude, Grapevine data are in disagreement with the NCSL report with modest gains having been demonstrated by Grapevine data. An explanation of K-12 schools' receiving relatively more support than higher education would pertain to the legislative decisions being made in a number of states in support of the implementation of education reform legislation in the schools.

There are other reasons for the pattern of state support for higher education which has been described in this analysis. Two factors identified here are state support of student financial aid and state support of community colleges. The purpose of Grapevine is not to isolate appropriations for specific areas such as financial aid and community colleges. However, these amounts are reported in Grapevine where state financial officers have chosen to report them as separate entries. Therefore, each of the two categories was examined utilizing the reports from all 50 states. It was found that financial aid was reported separately in 33 of the 50 states. Community colleges were reported as separate items in 40 of the states. The mean two-year gain for appropriations to student financial programs this year was slightly over 20%, a full eight percentage points greater than the national weighted average two-year gain of 12%. The mean two-year gain for state appropriations to community colleges this year was 15%, three percentage points greater than the national average of 12%. States are making particular effort to increase support to student aid during a period when tuition rates are increasing faster than state tax appropriation increases. Additionally, states are supporting community colleges, possibly because community colleges have been leading institutions in developing programs to improve economic development, retrain workers and create cooperative relationships with business. These categorical programs, devised to achieve specific purposes with benefit to both higher education and the state, are receiving proportionately greater percentage increases than are operating budgets generally.

Thus, a multiyear trend of state higher education support continues to demonstrate generally slower rates of percentage gains for higher education operating budgets; and economic resurgence in New England, the Mid-Atlantic states and other coastal states. At the same time, gains in state support are being targeted increasingly to programs which offer the potential of achieving specific purposes in which both higher education and the state have an interest.

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