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**FY 2006**

**EXECUTIVE**

**OVERVIEW**

**SHEEO**



This is an Executive Overview of *State Higher Education Finance FY 2006*. The full report can found on [www.sheeo.org](http://www.sheeo.org).

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State Higher Education Executive Officers (SHEEO) is a nonprofit, nationwide association of the chief executive officers serving statewide coordinating and governing boards for postsecondary education. The mission of SHEEO is to assist its members and the states in developing and sustaining excellent systems of higher education. SHEEO pursues its mission by: organizing regular professional development meetings for its members and their senior staff; maintaining regular systems of communication among the professional staffs of member agencies; serving as a liaison between the states and the federal government; studying higher education policy issues and state activities and publishing reports to inform the field; and implementing projects to enhance the capacity of the states and SHEEO agencies to improve higher education.



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**FY 2006**

*A project of the staff of the State Higher Education Executive Officers (SHEEO)*

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## PREFACE

In FY 2006 total state funding for public colleges and universities per student increased 5.1 percent, the first constant dollar increase since FY 2001. Two factors contributed to reversing a five-year downward trend: aggregate state and local government support grew by 7.6 percent, while enrollments leveled off following five years of growth totaling 17.9 percent.

Another core indicator, net tuition revenue per student, grew 3.6 percent in constant dollars in FY 2006. This is the first year since 2001 that tuition revenue increased at a slower rate than state support.

While these and other indicators suggest that states may have turned a corner in support for higher education, it is far too early to say whether this marks the beginning of more stable financial support. Early reports from the Grapevine survey indicate that FY 2007 state appropriations for higher education have increased again, a 7.1 percent current dollar increase over the previous year. But data on full-year enrollments and other key indicators will not be available for some time.

Data and analysis in this Executive Overview and in the complete report, State Higher Education Finance FY 2006 (available at [www.sheeo.org](http://www.sheeo.org)), examine these national trends more closely, and show the large variations in funding across states. These reports provide policymakers and educators with comparable information directly relevant to their decisions and actions.

While state-specific answers are beyond the scope of any such reports, SHEEO hopes the data and analyses found herein and on the SHEEO website are helpful in addressing broad, underlying public policy questions such as:

- What levels and types of funding for colleges and universities are necessary to achieve the education goals of a state and its population?
- To what extent does student tuition contribute to meeting the costs of higher education, in light of the individual benefits and social desirability of improving educational attainment?
- What student financial assistance is required to provide meaningful opportunity to students from low and moderate income families?
- Can and how might colleges, universities, and state systems increase productivity and cost effectiveness without impairing service quality?
- What public investments in higher education will contribute to the future economic and social well-being of the American people?

Although conditions and challenges vary substantially, every state faces similar questions in meeting growing needs for higher education. These data and analyses are made available in order to assist policy leaders in every state develop funding strategies appropriate to their needs and goals.

## **SHEF DATA SOURCES, ADJUSTMENT PROCEDURES, AND AVAILABILITY**

The primary data used for this Executive Overview and in preparing the full State Higher Education Finance (SHEF) report are provided annually by SHEEO member agencies in each state. The data include state and local support, major types of revenue uses or purposes, and gross tuition revenue, all of which are provided in annualized, current dollar values. SHEEO members also provide annualized full-time-equivalent (FTE) enrollment counts, using a common definition. These sources are supplemented as necessary with data from additional state agencies or governing boards, the Grapevine data survey maintained by Illinois State University, and several standard federal government sources of economic and tax data.

SHEEO uses various procedures to “adjust” the current dollar values to make these as comparable as possible over time and across states. Specifically, current dollar values are adjusted to reflect annual inflation using the SHEEO-developed Higher Education Cost Adjustment (HECA), which uses standard federal government statistics relevant to the costs faced by colleges and universities. Other adjustments are made to reflect differences in the costs of living across the states and for a state’s enrollment mix across different classifications of institutions (e.g., the proportion of community college students). The methods and coefficients used for these comparability adjustments are available on the SHEEO website at [www.sheeo.org](http://www.sheeo.org).

A complete historical archive of annual data sets back to 1980 is also available through the SHEF webpage on the SHEEO website ([www.sheeo.org](http://www.sheeo.org)). SHEF data are also made available to the National Center for Higher Education Management Systems (NCHEMS) for their use and are available through their website at [www.higheredinfo.org](http://www.higheredinfo.org).

## SUMMARY OF NATIONAL TRENDS AND INTERSTATE COMPARISONS

State and local governments have made substantial financial commitments to higher education. In fiscal 1981, state and local governments combined invested \$21.4 billion for direct support for general operating expenses of public and independent higher education institutions. This investment increased to \$42.1 billion by 1991, to \$67.8 billion by 2001, and to \$77.7 billion by 2006.

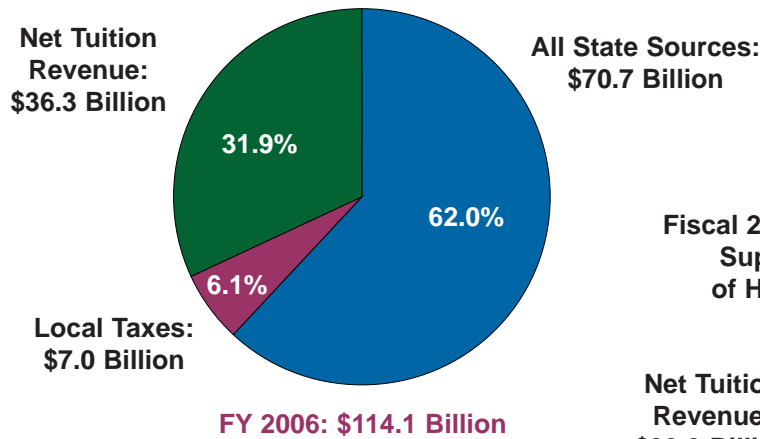
The \$77.7 billion in current support represents a \$5.5 billion (7.6 percent) increase from the prior year (*Figure 1* and *Figure 2*). The share of total revenues for general operating expenses to higher education originating from net tuition revenue declined from 32.0 percent in 2005 to 31.9 percent in 2006. Though marginal, this is the first year-to-year decrease in net tuition's share of total revenue since 2000.

Of the \$77.7 billion in state and local support during 2006, 78.9 percent was allocated to the general operating expenses of public higher education (*Table 1*). Special-purpose or restricted state appropriations for research, agricultural extension, and medical education accounted for another 12.3 percent of the total, which was a decline of 0.7 percentage points from the previous year. Financial aid to students attending public institutions increased from 5.6 to 5.7 percent, while aid to students attending independent institutions declined from 2.8 percent to 2.7 percent.

A summary of sources and uses of state support for higher education since 2002 is provided in *Table 1*.

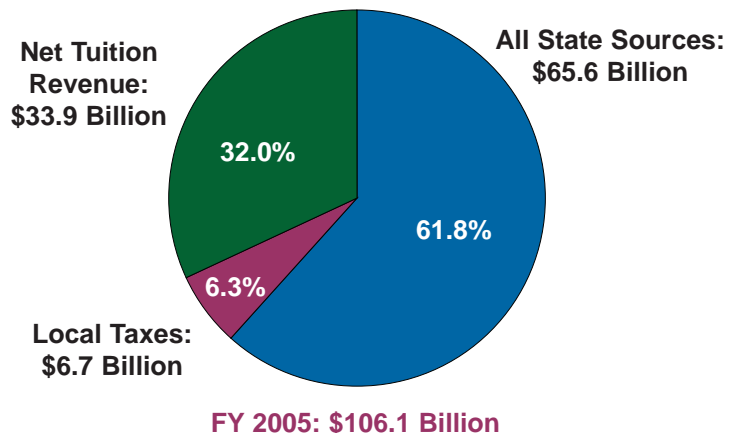
**Figure 1**

**Fiscal 2006, State, Local and Net Tuition Revenue Supporting General Operating Expenses of Higher Education, U.S., Current Dollars**



**Figure 2**

**Fiscal 2005, State, Local and Net Tuition Revenue Supporting General Operating Expenses of Higher Education, U.S., Current Dollars**



Source: SHEEO State Higher Education Finance (SHEF)

Table 1

**Major Sources and Uses of State and Local Government Support,  
Fiscal 2002-2006 (current dollars)**

<b>Sources</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
State					
<i>Tax Appropriations<sup>1</sup></i>	63,427,900,008	62,071,170,645	61,205,432,340	63,356,712,068	68,384,388,118
<i>Appropriated Non-Tax Support</i>	882,529,620	1,209,848,554	1,341,539,185	1,668,699,247	1,795,315,572
<i>Non-Appropriated Support</i>	141,478,695	134,061,020	128,093,406	162,566,921	181,314,944
<i>State-Funded Endowment Earnings</i>	251,933,100	259,669,422	275,806,052	291,937,357	303,048,575
<i>Other<sup>2</sup></i>	29,822,978	37,406,458	60,317,319	73,570,705	78,589,923
State Total	64,733,664,401	63,712,156,099	63,011,188,302	65,553,486,298	70,742,657,132
Local Tax Appropriations	5,884,285,841	6,299,622,529	6,675,222,555	6,652,163,871	6,978,348,651
Total	\$70,617,950,242	\$70,011,778,628	\$69,686,410,857	\$72,205,650,169	\$77,721,005,783
<b>Uses</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Research-Agric-Medical	9,653,470,212	9,366,742,838	9,233,030,246	9,379,936,655	9,576,889,453
Public Student Aid <sup>3</sup>	2,740,394,976	3,249,544,629	3,601,770,033	4,014,188,482	4,453,840,290
Out-of-State Student Aid	22,992,457	29,401,580	31,894,734	33,947,112	34,657,080
Independent Student Aid <sup>4</sup>	1,778,373,978	1,888,790,949	1,931,127,807	1,985,144,454	2,063,301,258
Independent Institutions	263,955,859	262,794,258	264,562,875	254,572,454	259,793,602
General Public Operations	56,158,762,760	55,214,504,374	54,624,025,162	56,537,861,012	61,332,524,100
Total	\$70,617,950,242	\$70,011,778,628	\$69,686,410,857	\$72,205,650,169	\$77,721,005,783
<b>(Percentages)</b>					
<b>Sources</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
State					
<i>Tax Appropriations<sup>1</sup></i>	89.8%	88.7%	87.8%	87.7%	88.0%
<i>Appropriated Non-Tax Support</i>	1.2%	1.7%	1.9%	2.3%	2.3%
<i>Non-Appropriated Support</i>	0.2%	0.2%	0.2%	0.2%	0.2%
<i>State-Funded Endowment Earnings</i>	0.4%	0.4%	0.4%	0.4%	0.4%
<i>Other<sup>2</sup></i>	0.0%	0.1%	0.1%	0.1%	0.1%
State Total	91.7%	91.0%	90.4%	90.8%	91.0%
Local Tax Appropriations	8.3%	9.0%	9.6%	9.2%	9.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Uses</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Research-Agric-Medical	13.7%	13.4%	13.2%	13.0%	12.3%
Public Student Aid <sup>3</sup>	3.9%	4.6%	5.2%	5.6%	5.7%
Out-of-State Student Aid	0.0%	0.0%	0.0%	0.0%	0.0%
Independent Student Aid <sup>4</sup>	2.5%	2.7%	2.8%	2.7%	2.7%
Independent Institutions	0.4%	0.4%	0.4%	0.4%	0.3%
General Public Operations	79.5%	78.9%	78.4%	78.3%	78.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

**Notes:**

1. State Tax Appropriations include administered funds and prior multi-year appropriations.
2. Other State Support includes state financial aid appropriations directed to non-sheeo agencies.
3. Public Student Aid is state appropriated student financial aid for public institution tuition and fees. Includes aid appropriated outside the recognized state student aid program(s). Some respondents could not separate tuition aid from aid for living expenses.
4. Independent Student Aid is state assistance to students attending independent institutions.

Source: SHEEO SHEF



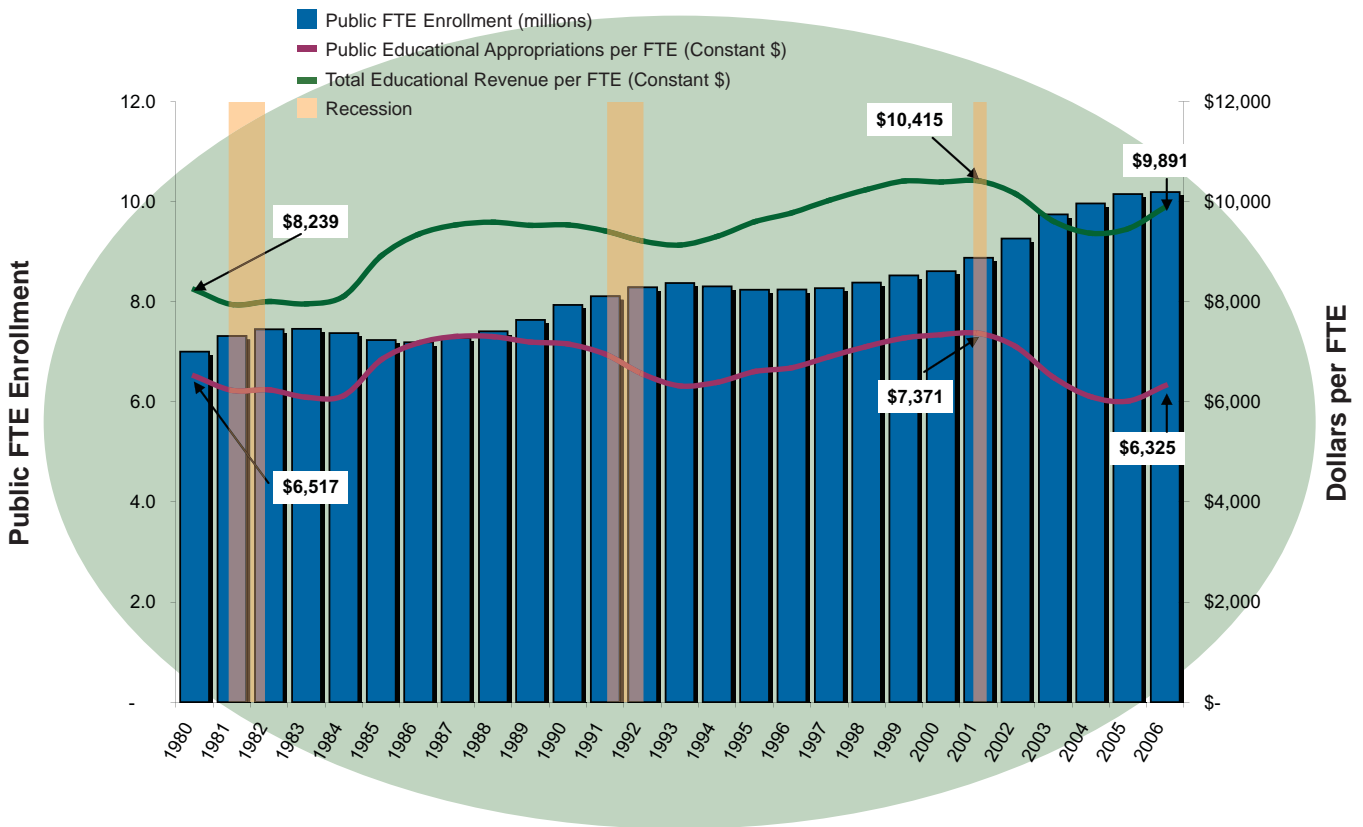
## A Historical Overview of State Higher Education Finance: National Summary

### Appropriations and Total Educational Revenue per FTE – Figure 3

1. Since fiscal 1980, FTE enrollments at public institutions of higher education increased from 7.0 million to 10.2 million.
2. While total FTE enrollments at public institutions increased rapidly from 2000 to 2005, the rate of growth slowed between 2005 and 2006 to an increase of less than one half of one percent.
3. In FY 2006, for the first time since 2001, state and local support grew faster than the combined growth of enrollment and inflation, and constant dollar per FTE public higher education appropriations increased from the prior year.
4. In 2005, higher education appropriations (including both state and local support) per FTE reached a 25-year low in inflation adjusted terms. In 2006, these appropriations grew to \$6,325, an increase of 5.1 percent from the FY 2005 level of \$6,017, but still \$1,046 below the peak of \$7,371 in FY 2001.

Figure 3

### Non-Medical FTE, Educational Appropriations per FTE, and Total Educational Revenue per FTE, in Public Higher Education, U.S., Fiscal 1980-2006



Note: Constant 2006 dollars adjusted by SHEEO Higher Education Cost Adjustment.

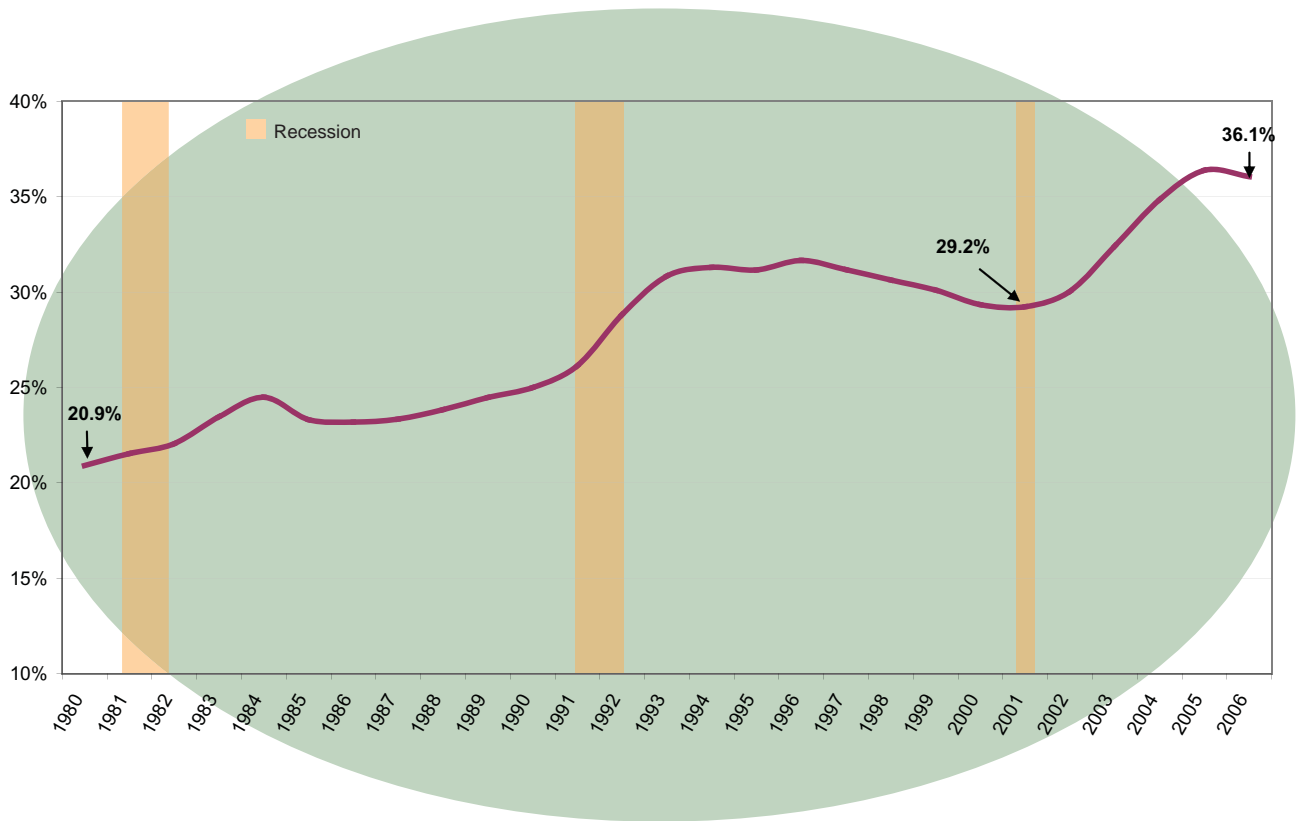
Source: SHEEO SHEF

**Net Tuition as Percent of Total Revenue – Figure 4**

- 5. Total revenue for public higher education (excluding research and independent operations) come primarily from state and local government and tuition. Net tuition revenue typically have increased when state and local revenue fail to keep pace with enrollment growth and inflation. In 2006 increases in state and local revenue exceeded the growth of net tuition revenue, and the share of total educational revenue from net tuition decreased for the first time since 2001.

**Figure 4**

**Net Tuition as a Percent of Public Higher Education Total Educational Revenue, U.S., Fiscal 1980-2006**



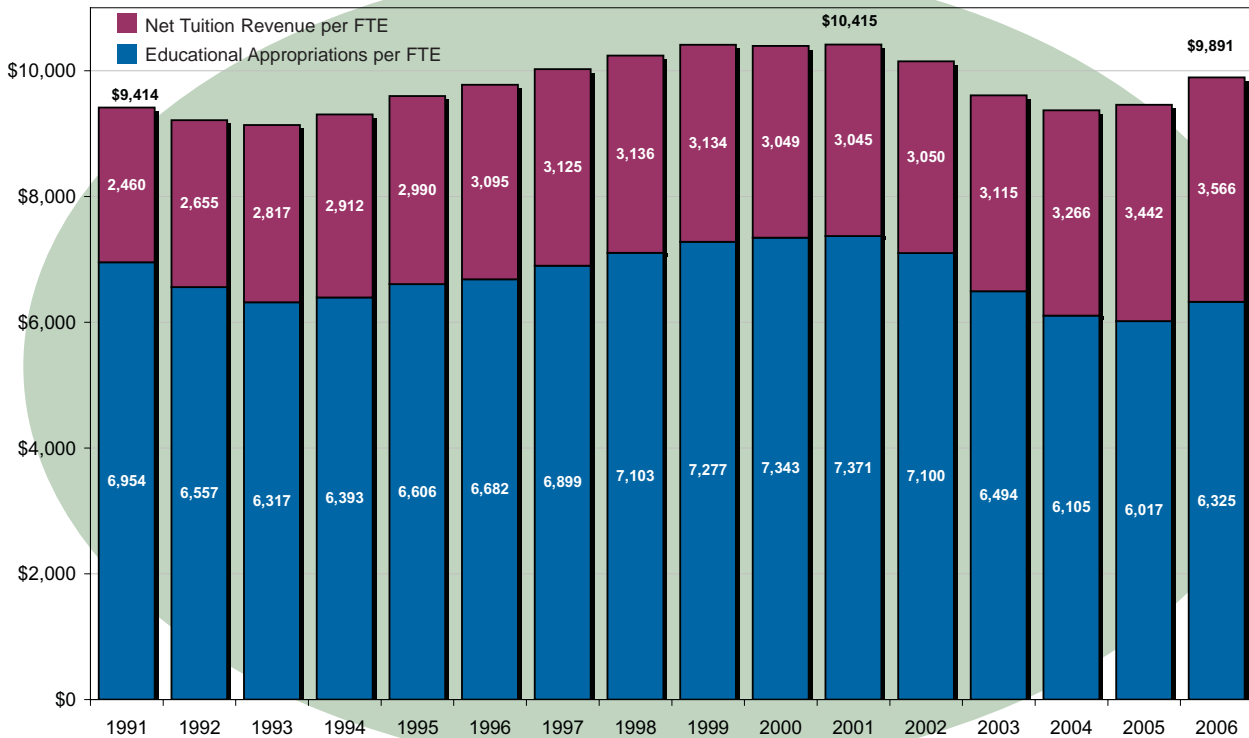
Source: SHEEO SHEF

**Total Educational Revenue by Source – Figure 5**

6. Despite increased state and local support, net tuition per FTE increased by \$124 (constant dollars), or 3.6 percent, in 2006. This is, however, a decrease in the rate of growth. By comparison, year-over-year increases in constant dollar net tuition revenue per FTE were \$176 in 2005 (5.4 percent) and \$150 in 2004 (4.8 percent).
7. Constant dollar total educational revenue per FTE declined for three years in the early 1990s from \$9,414 in 1991. Thereafter, total revenue per FTE grew steadily from FY 1994 to FY 2001, reaching \$10,415, or 10.6 percent higher than FY 1991. Total revenue per FTE then fell sharply (9.2 percent) from FY 2001 to FY 2005 and rebounded to \$9,891, or 4.6 percent between FY 2005 and FY 2006.
8. Between 1991 and 2006, the share of total educational revenue per FTE derived from state sources declined ten percentage points from 73.9 percent to 63.9 percent.

**Figure 5**

**Total Educational Revenue per FTE by Component, U.S.,  
Fiscal 1991-2006**



Source: SHEEO SHEF

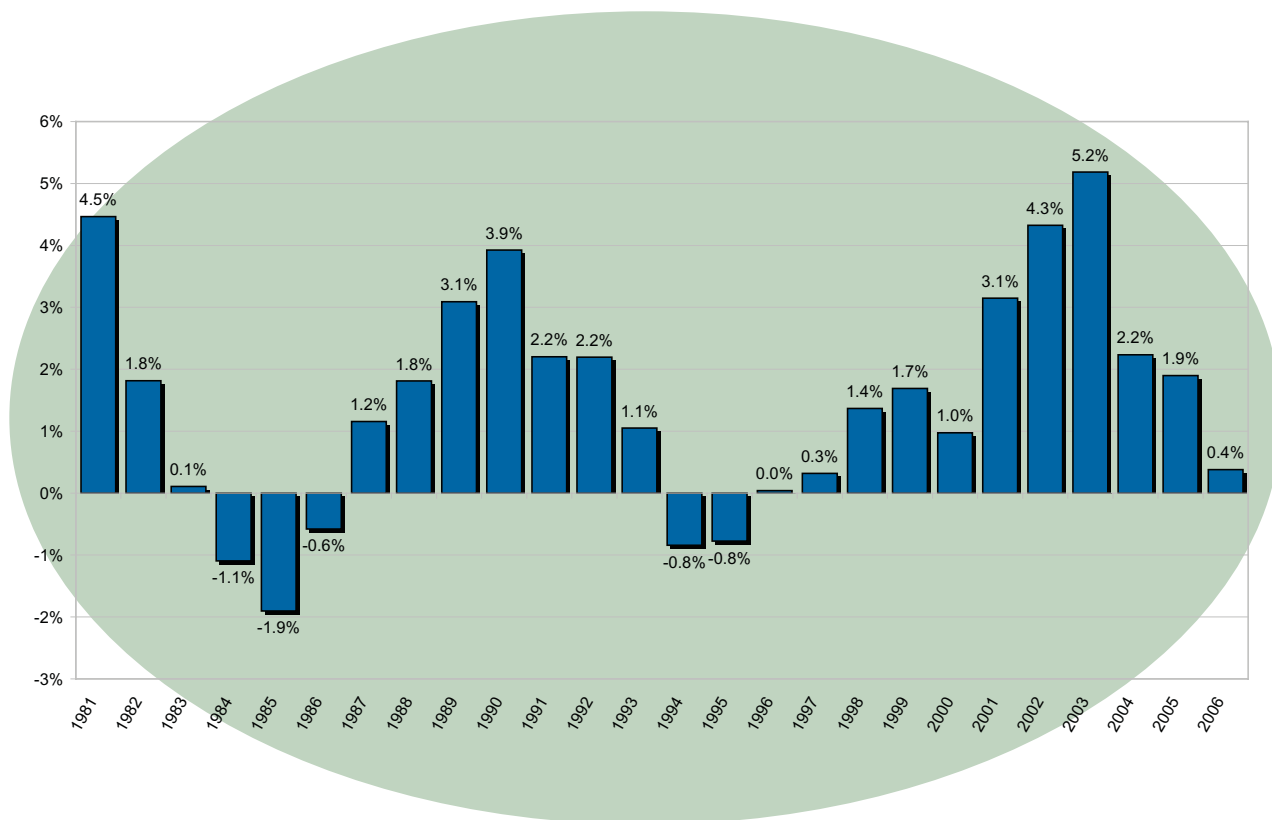
## Change Over the Past Five Years in the States

### Annual Change in Enrollment – Figure 6

Though subject to short term variation, total public higher education enrollments and the rate of participation have grown steadily. Especially since the turn of the 21st century, FTE enrollment at public institutions of higher education has increased at extraordinary rates. Between 2000 and 2006, the average rate of FTE enrollment growth was 3 percent each year.+ In the most recent fiscal year, however, enrollments leveled off, growing less than one half of one percent. Among the states, of course, both enrollment and appropriations growth rates varied widely from the national average.

**Figure 6**

**1-year Change in Non-Medical, Public FTE from Prior Year, U.S., Fiscal 1981 to 2006**



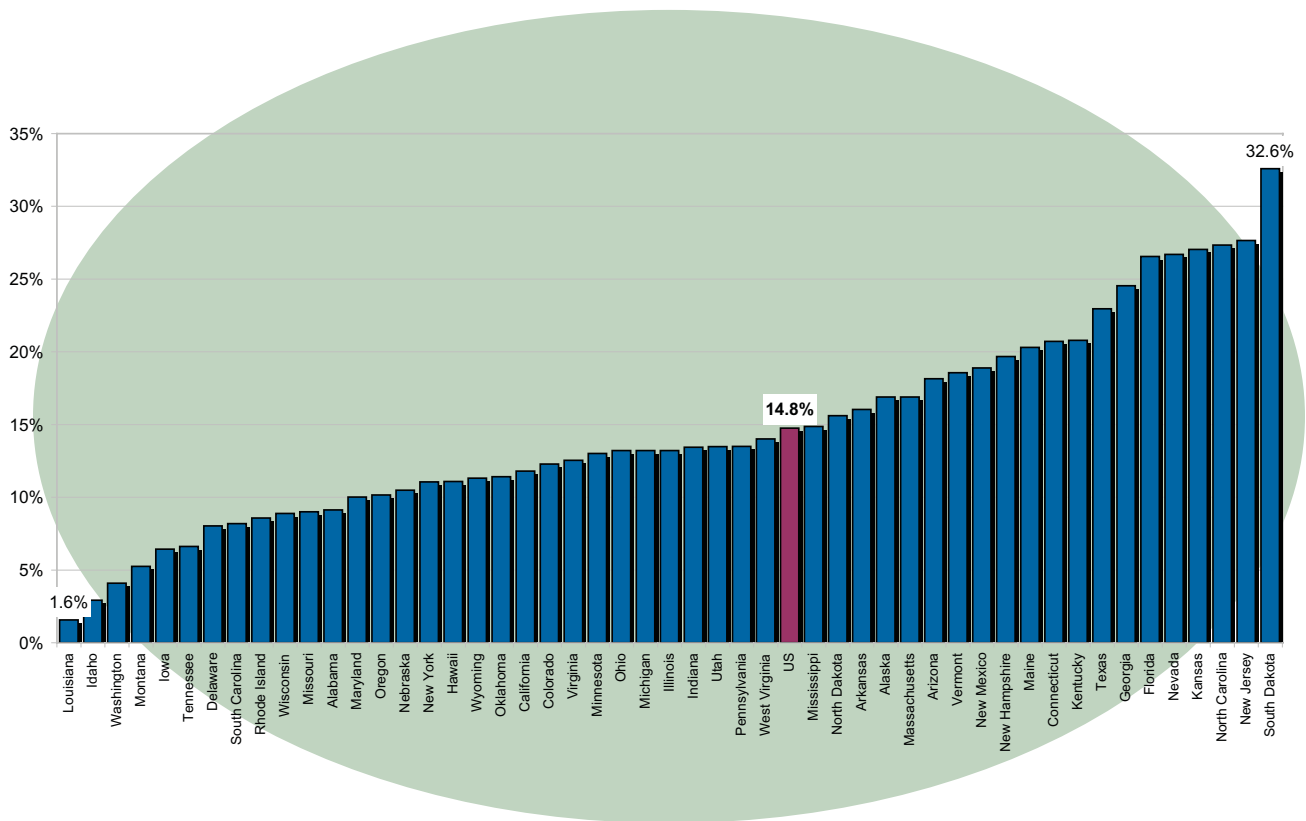
Source: SHEEO SHEF

**Enrollment Growth Among the States FY 2001 to FY 2006 – Figure 7**

- Nationally, FTE enrollments grew 14.8 percent from FY 2001 to FY 2006, and every state experienced positive FTE enrollment growth.
- South Dakota led all states in total growth at 32.6 percent, while Louisiana, where enrollment losses occurred after hurricanes Katrina and Rita, experienced the smallest growth at 1.6 percent.
- The six states with the fastest growing enrollment (South Dakota, New Jersey, North Carolina, Kansas, Nevada and Florida) all had five-year rates above +25 percent, while the five states with the slowest enrollment growth (Iowa, Montana, Washington, Idaho and Louisiana) all had five year rates below +6.5 percent.
- Technical corrections occasionally affect comparisons. For instance, the rapid growths in Kansas and New Jersey are partially due to the inclusion of Summer FTE for the first time in FY 2006.

**Figure 7**

**Full-Time Equivalent Enrollment in Public Higher Education  
Percent Change by State, Fiscal 2001-2006**



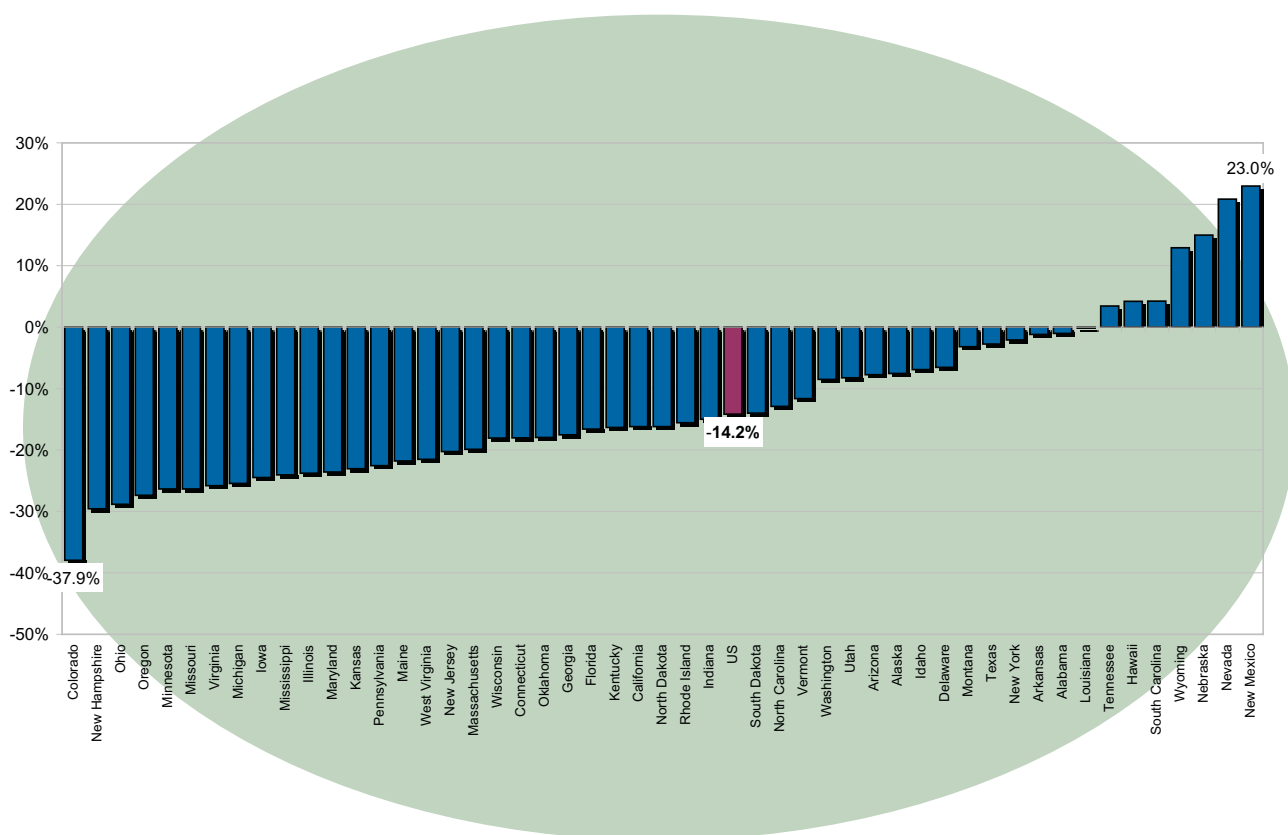
Source: SHEEO SHEF

**Changes in Public Appropriations per FTE Among the States – Figure 8**

- Per FTE total educational appropriations declined in 43 of the 50 states between 2001 and 2006.
- Although the range of changes (-37.9 percent to +23.0 percent) is wide, the rates of change in more than half of states clustered within 10 percentage points of the national mean.
- Colorado’s per FTE total educational appropriations declined the most (-37.9 percent), while New Mexico’s increased the most (+23.0%).

**Figure 8**

**Public Higher Education Appropriations per FTE  
Percent Change by State, Fiscal 2001-2006**



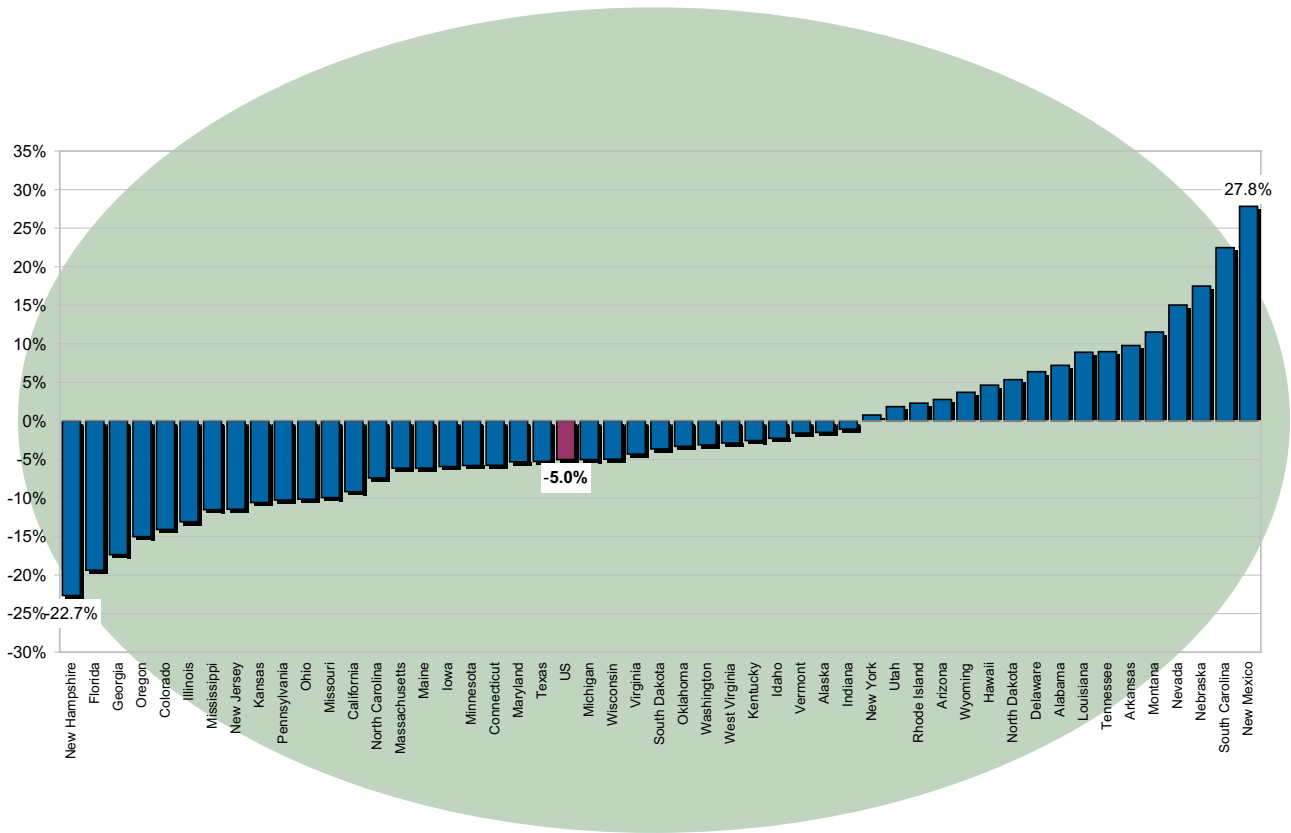
Source: SHEEO SHEF

**Changes in Total Educational Revenue per FTE Among the States – Figure 9**

Total educational revenue per FTE declined 5.0 percent on average between 2001 and 2006, though slightly more than one third of the states experienced positive growth on this measure; these states were led by New Mexico, a state in which total educational revenue per FTE expanded 27.8 percent during the period.

**Figure 9**

**Total Educational Revenue per FTE in Public Higher Education  
Percent Change by State, Fiscal 2001-2006**



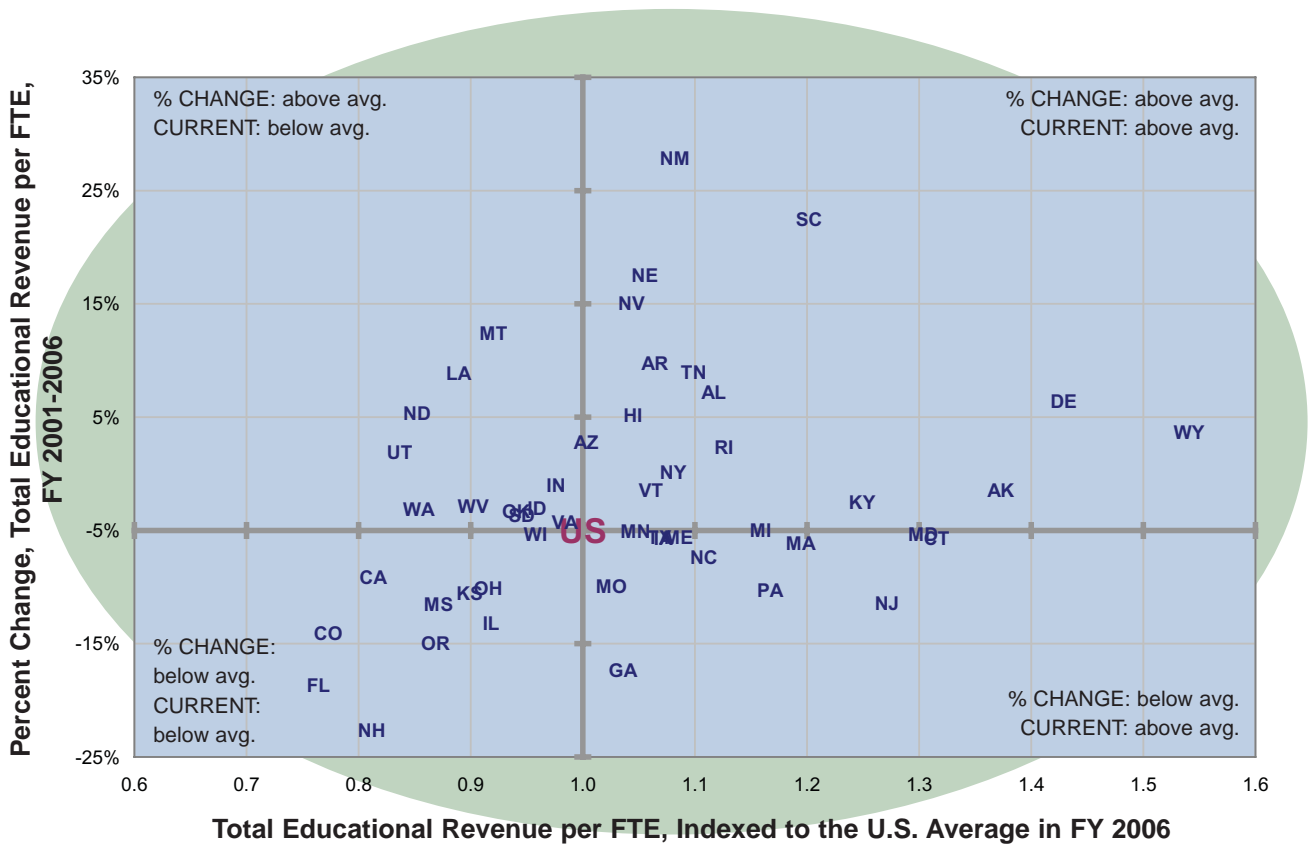
Source: SHEEO SHEF

**State Differences in Total Educational Revenue per FTE: Percent Change and Current Standing – Figure 10**

- Figure 10 illustrates the relationship between changes in total educational revenue per FTE between 2001-2006 and total educational revenue in FY 2006 indexed to the U.S. average. States to the right of the vertical axis received total educational revenue per FTE above the national mean in 2006; states above the horizontal axis experienced above average growth in total educational revenue per FTE between 2001-2006.
- While New Mexico had the fastest growth rate in total educational revenue per FTE from FY 2001 to FY 2006 (Figure 8), fifteen other states had higher total education revenue per FTE in 2006.
- Wyoming had the highest total educational revenue per FTE in FY 2006, while Florida had the lowest.

**Figure 10**

**Total Educational Revenue per FTE, by State:  
Percent Change and Current Standing Relative to U.S. Average**



**Notes:**

1. Figures are adjusted for inflation, public system enrollment mix, and state cost of living.
2. Funding and FTE data are for public non-medical students only.

**Source:** SHEEO SHEF



**State Differences in Educational Appropriations per FTE – Figure 11**

- *Figure 11* compares states with respect to their mean difference from the long-term national average (1980-2006) in educational appropriations per FTE and with respect to the most recent year (2006).
- In FY 2006, 19 states increased educational appropriations per FTE compared to their historical averages.
- Compared to the national mean, Wyoming's FY 2006 educational appropriations per FTE were highest, while Vermont's were lowest.
- FY 2006 appropriations levels in Vermont were comparatively close to its long term position relative to the national average. Wyoming's FY 2006 appropriations per FTE are even higher than its long-term position above the national average.

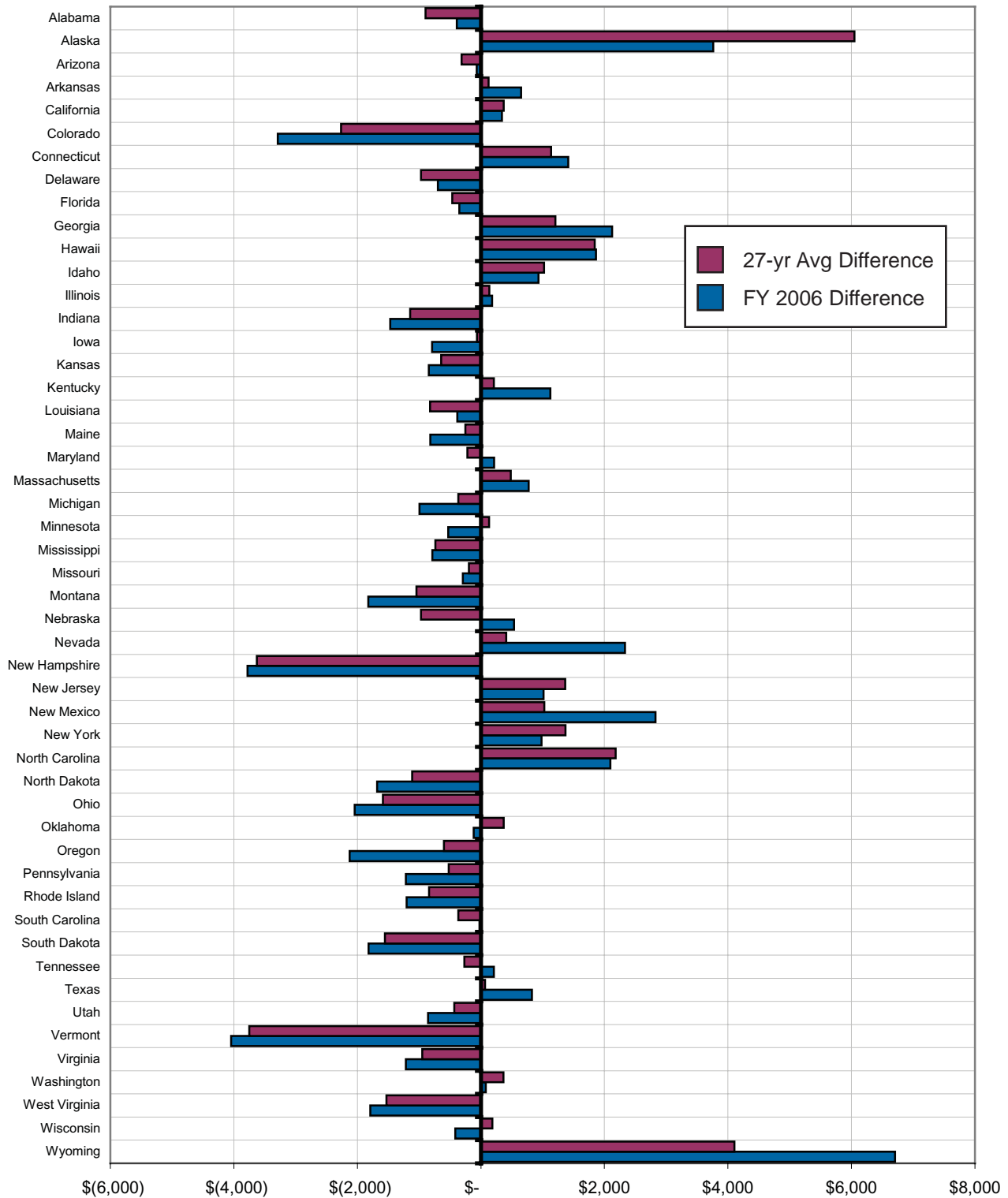
**State Differences in Total Educational Revenue per FTE – Figure 12**

- *Figure 12* compares states with respect to total educational revenue per FTE mean differences from the U.S. average over the long term (1980-2006) with those from the most recent year (2006).
- In FY 2006, 25 states increased total educational revenue per FTE compared to their historical averages.
- Compared to the national mean, Wyoming's FY 2006 total educational revenue per FTE were highest, while Colorado's were lowest. Wyoming's FY 2006 revenue reflect substantial growth above its long term position, and Colorado's FY 2006 revenue reflect a substantial decrease from its long term position.

When compared alongside one another, *Figure 11* and *Figure 12* demonstrate the effect tuition and fees policies have on higher education finance. As a result of above average net tuition, 11 states – Alabama, Arizona, Delaware, Iowa, Maine, Minnesota, Missouri, Pennsylvania, Rhode Island, South Carolina, and Vermont – all had higher than average total revenue per FTE in spite of lower than average state and local appropriations per FTE. In contrast, due to below average net tuition, four states – California, Idaho, Illinois, and Washington – all had lower than average total funding per FTE, in spite of above average state and local appropriations per FTE.

Figure 11

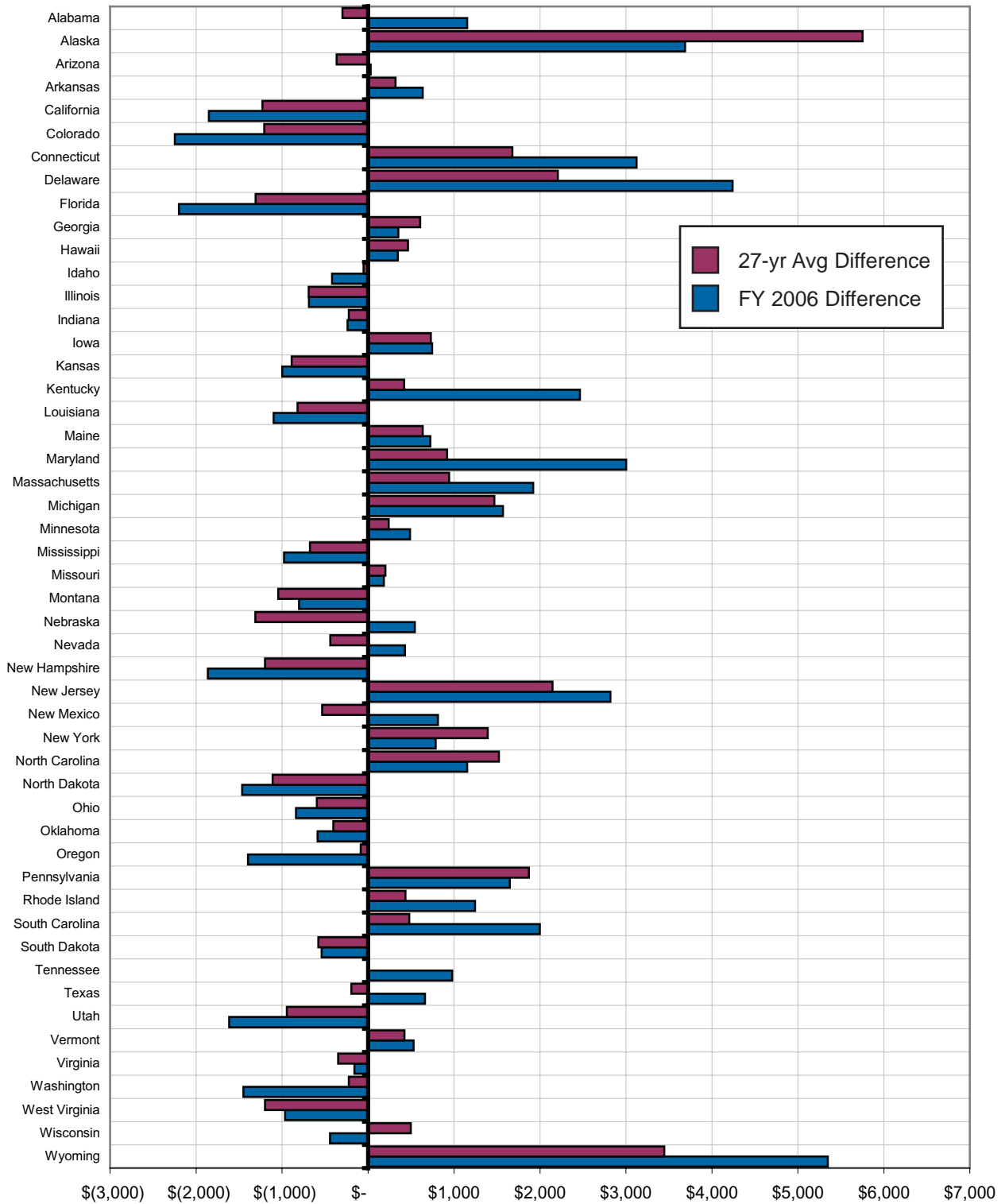
Educational Appropriations per FTE:  
Differences from Mean, 27-year Average and FY 2006, Constant Dollars



Note: All dollars are adjusted by HECA, Cost of Living Adjustment, and Enrollment Mix.  
Source: SHEEO SHEF

Figure 12

**Total Educational Revenue per FTE:  
Differences from Mean, 27-year Average and FY 2006, Constant Dollars**



Note: All dollars are adjusted by HECA, Cost of Living Adjustment, and Enrollment Mix.

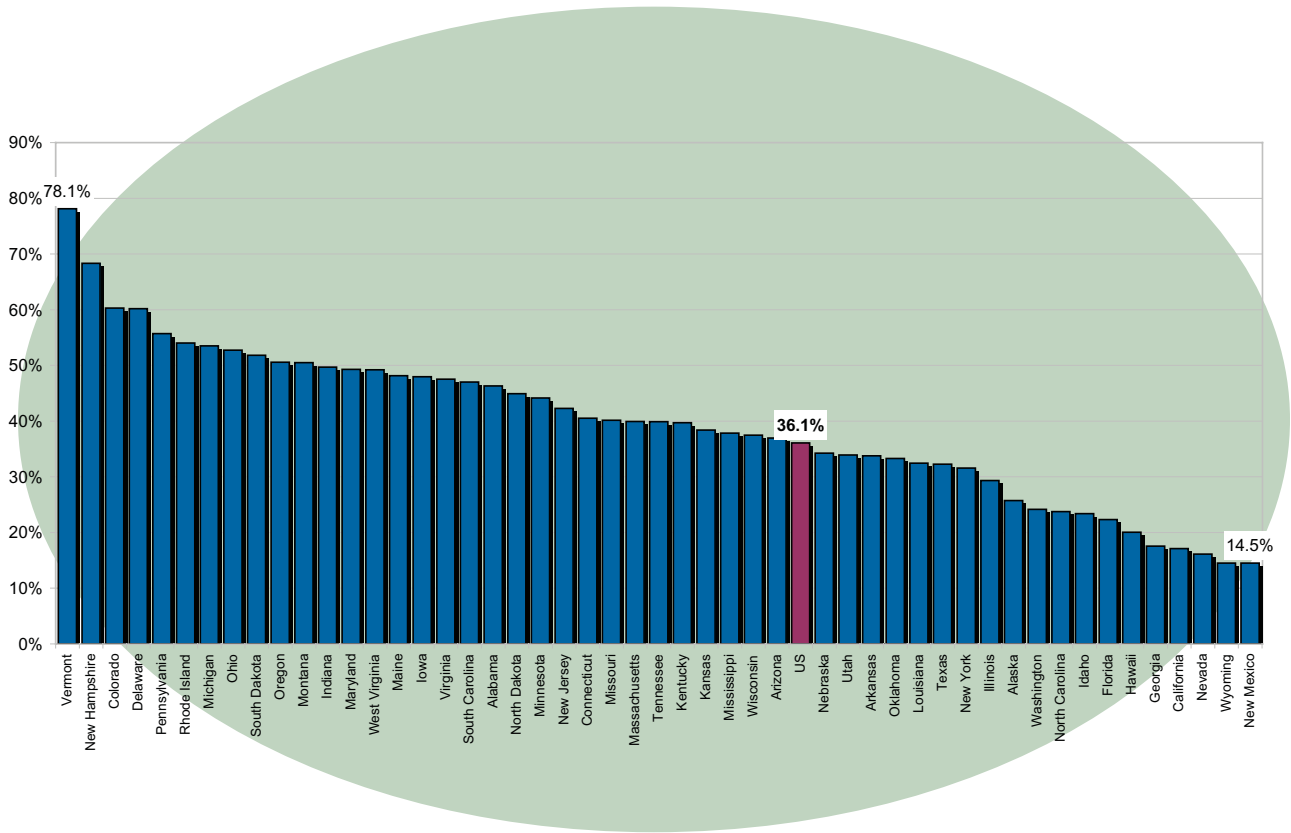
Source: SHEEO SHEF

**Net Tuition as a Percent of Total Revenue per FTE – Figure 13**

- Net tuition as a percent of public higher education total educational revenue in Vermont was the highest in the nation at 78.1 percent, while the lowest was in New Mexico (14.5 percent).
- In 2006, net tuition revenue per FTE was less than 20 percent of public higher education total educational revenue in only five states—California, Georgia, Nevada, New Mexico, and Wyoming.

**Figure 13**

**Net Tuition as a Percent of Public Higher Education Total Educational Revenue by State, Fiscal 2006**



Source: SHEEO SHEF

## State Wealth, Tax Revenue, and the Allocation of Revenue to Higher Education

Each state's unique combination of policy choices and fiscal and environmental conditions provides the framework within which higher education funding occurs. The national trends outlined below give a sense of general conditions, but individual state conditions vary widely. These data are from 1994 to 2004 and lag behind appropriations data reported elsewhere by two years.

1. Total taxable resources per capita, a statistic that captures state income and wealth, increased from \$41,114 to \$44,067 in current dollars between 2003 and 2004, a one-year increase of \$2,953, or 7.2 percent. Per capita state and local tax revenue increased \$328, or 10.6 percent over the same period, which is correspondingly reflected in the increase in the effective tax rate by 0.24 percentage points.
2. Over a ten-year period, total taxable resources per capita increased 51.8 percent, while the effective tax rate declined from 8.2 percent to 7.8 percent. On average, the nation's taxpayers have become wealthier and they are paying a smaller share of their wealth in state and local taxes.

**Table 2**

### State Wealth, Tax Revenues, Effective Tax Rates, and Higher Education Allocation; U.S. Averages, 1994-2004

	Wealth, Revenue, and Tax Rates			Allocation to Higher Education		
	Total Taxable Resources (TTR) per Capita <sup>1</sup>	State & Local Tax Revenue per Capita <sup>2,3</sup>	Effective Tax Rate <sup>4</sup>	State & Local Tax Revenue plus Lottery Profits <sup>5</sup> (thousands)	State & Local Higher Education Support <sup>6</sup> (thousands)	(percentage)
1994	\$29,027	\$2,373	8.18%	\$633,528,768	\$43,750,453	6.9%
1995	\$30,332	\$2,477	8.17%	\$669,085,320	\$46,139,024	6.9%
1996	\$31,985	\$2,554	7.98%	\$697,960,476	\$47,798,564	6.8%
1997	\$33,932	\$2,668	7.86%	\$737,767,519	\$50,307,924	6.8%
1998	\$36,008	\$2,801	7.78%	\$782,987,470	\$54,006,965	6.9%
1999	\$37,528	\$2,917	7.77%	\$824,249,176	\$58,339,843	7.1%
2000	\$39,981	\$3,086	7.72%	\$881,108,058	\$63,263,061	7.2%
2001	\$39,178	\$3,195	8.15%	\$921,556,887	\$67,831,541	7.4%
2002	\$39,589	\$3,136	7.92%	\$915,027,341	\$70,618,132	7.7%
2003	\$41,114	\$3,106	7.55%	\$915,311,067	\$70,011,779	7.6%
2004	\$44,067	\$3,434	7.79%	\$1,020,012,078	\$69,686,411	6.8%
<b>10 Year % Change</b>	<b>51.8%</b>	<b>44.7%</b>	<b>-4.7%</b>	<b>61.0%</b>	<b>59.3%</b>	<b>-1.1%</b>

**Source Notes:** All dollars nominal.

1. Total Taxable Resources per Capita:

2002, 2003, 2004 data: U.S. Treasury Department, <http://www.treas.gov/offices/economic-policy/resources/estimates.html>  
1993-2001: Compson, Micheal. L (March, 2003)

2. State and Local Tax Revenue per Capita: U.S. Census Bureau, <http://www.census.gov/govs/www/estimate.html> and  
<http://www.census.gov/popest/states/NST-ann-est.html>

3. Local Tax Revenue in 2001 and 2003 are estimates; the following formulae were used

FY2001 Local Tax Revenue = (((FY1998Local/FY1998State)+(FY1999Local/FY1999State)+(FY2000Local/FY2000State))/3)\*FY2001State  
FY2003 Local Tax Revenue = (((FY1999Local/FY1999State)+(FY2000Local/FY2000State)+(FY2002Local/FY2002State))/3)\*FY2003State

4. Effective Tax Rate = State & Local Tax Revenue per Capita / Total Taxable Resources per Capita

5. State and local tax revenue data from U.S. Census Bureau; lottery profits data from North American Association of State and Provincial Lotteries. An annual growth estimate of 4% was used to impute lottery values prior to 1995.

6. Higher Education Support = State and local tax and nontax support for general operating expenses of public and independent higher education. Includes special purpose appropriations for research-agricultural-medical. Source: SHEEO SHEF

3. The percentage allocation of state and local tax revenue to higher education increased between 1997 and 2003 but declined from 7.6 percent to 6.8 percent between 2003 and 2004.
4. While more tax revenue were collected per capita and in the aggregate during the period, larger shares of these funds were directed to other state priorities such as Medicaid, K-12 education, and corrections, instead of to higher education.

## Summary and Conclusion

Between 2001 and 2005, higher education enrollments grew rapidly in the United States, inflation increased at typical rates, and state and local support failed to keep pace. Consequently, as reported in the SHEF FY 2005 study, per student, constant dollar state and local support fell to a twenty-five year low.

The FY 2006 study reveals apparent signs of a recovery. SHEF data indicate 48 states increased nominal dollar state and local support for higher education, in the aggregate, by 7.6 percent. For the first time in four years, enrollment and inflation grew more modestly than growth in total state and local support. Additionally, somewhat higher effective tax rates improved states' capacities to finance growing demands for public services, including higher education.

While it is premature to declare FY 2006 actions mark the beginning of a return to previous levels of funding, the findings of this report indicate the resiliency of the American commitment to higher education, and suggest a growing recognition of the importance of higher education to our future.

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