



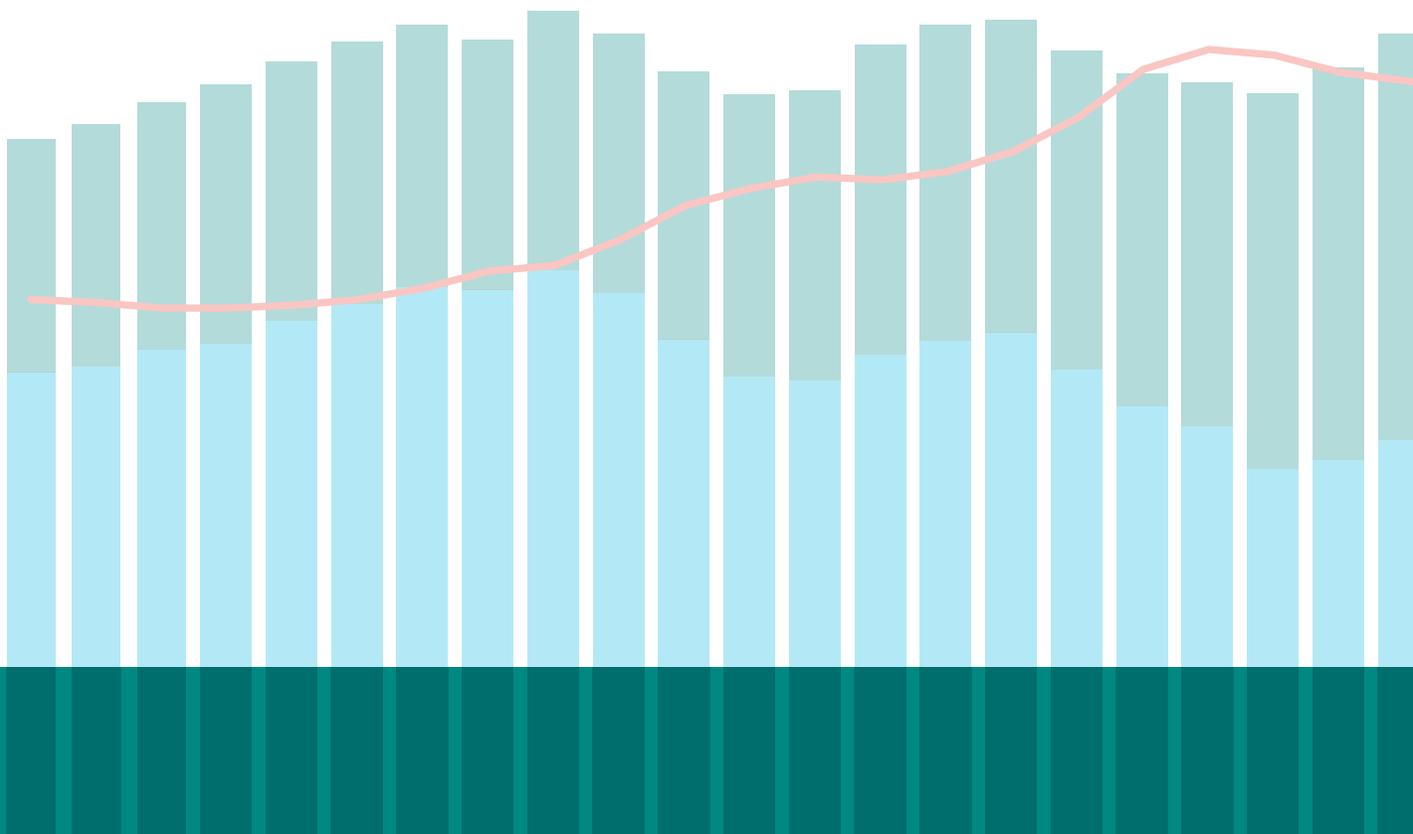
# SHEEO

STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

## SHEF: FY 2018

*STATE HIGHER EDUCATION FINANCE*

### EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY

## ABOUT THE REPORT

The State Higher Education Finance (SHEF) report is produced annually by the State Higher Education Executive Officers Association (SHEEO) to broaden understanding of the context and consequences of multiple public policy decisions in each state. These decisions contribute to public higher education funding levels and funding distributions across states and nationally.

Although the price of college has been rising for students and families, so has the potential economic benefit of earning a postsecondary credential or degree. Greater attention to both the costs and benefits of higher education influences the environment in which political leaders, policymakers, and educators make decisions.

No single report can provide definitive answers to the broad and fundamental questions of state higher education finance policy, but the SHEF report supplies important context and trend analysis to help inform policy decisions. SHEF provides the earliest possible review of state and local support, tuition revenue, and enrollment trends for the most recently completed fiscal year.<sup>1</sup> This year's report focuses on FY 2018, which for most states ran from July 1, 2017, through June 30, 2018.

## THE REPORT INCLUDES:

- An explanation of the measures and methods used in the SHEF metrics for analysis;
- A description of the revenue sources and uses for higher education;
- An analysis of national trends in enrollment and revenue;
- Comparisons of the SHEF metrics across states and over time;
- Indicators of state tax capacity, tax effort, and relative allocations for higher education; and
- A series of case studies that add important context and interpretation of the data presented in the report.

Additional information is available on [our website](#), including data downloads, interactive visualization tools, and technical documentation.

---

1. Years referenced in the body of this publication refer to state fiscal years (FY), which commonly start July 1 and run through June 30 of the following calendar year. For example, FY 2018 includes July 2017 through June 2018. All enrollments are full-time equivalent for the corresponding academic year (including summer term). National averages are calculated using the sum of all of the states. For example, the national average per FTE expenditure is calculated as the total of all states' expenditures divided by the total of all states' FTEs.

## 2018: TEN YEARS OUT FROM THE GREAT RECESSION

Last year's SHEF report—which focused on state funding data from FY 2017—affirmed that the majority of states increasingly rely on tuition dollars, rather than state and local appropriations, to fund their public systems of higher education. That narrative holds true in this year's report, which reflects a similar overall picture of the state higher education funding landscape of FY 2017. In fact, FY 2018 saw the smallest ever changes in net tuition revenue and total educational revenue per student.

---

### FISCAL YEAR 2018 SAW THE SMALLEST CHANGES EVER IN PER STUDENT REVENUES FOR HIGHER EDUCATION

---

Minimal year-over-year change notwithstanding, this year's report marks an important milestone in the SHEF data set: the completion of a ten-year analysis of state higher education funding data since the Great Recession. When viewed holistically, the report offers a comprehensive look at how states navigated a complex funding environment and attempted to restore funding to higher education as they recovered from a significant economic downturn. The FY 2018 SHEF report finds that ten years after the start of the Great Recession, state funding for higher education has only halfway recovered, while the growing reliance on net tuition as a revenue source—the student share—remains at a near high.

A case study on the analysis of state-by-state recovery from the Great Recession can be found in this report on page 30. This case study assesses the extent to which states relied on tuition revenue to restore funding reductions. Other case studies in this year's report analyze funding challenges in Illinois and state cost and budget drivers.

## REPORT HIGHLIGHTS

To develop the FY 2018 SHEF report, SHEEO calculated state and local support for higher education, educational appropriations, net tuition revenue, total educational revenue, and full-time equivalent enrollment (FTE). See page 10 for more information about the SHEF methodology. Key takeaways from each primary measure of the SHEF report follow below.

1. **State and Local Support:** Following five straight years of growth in state support, there was nearly no national change in state and local per-student support for higher education after adjusting for inflation between FY 2017 and FY 2018. State and local support totaled \$96.1 billion this year.
2. **Educational Appropriations:** At the national level, appropriations per FTE remained flat in 2018, increasing by just 0.2 percent after adjusting for inflation. This means that, nationally, higher education funding has kept pace with changes in enrollment and inflation over the last year. After more than \$2,000 in per-student funding reductions during the Great Recession, per-student educational appropriations in 2018 were \$7,853, roughly \$1,000 below their pre-recession level. **Ten years out from the start of the Great Recession, per-student higher education appropriations in the U.S. have only halfway recovered.**

Immediately following a five-year period of annual increases greater than 2 percent, FY 2018 marks the smallest increase ever in state and local higher education funding. This indicates that state appropriations may be stabilizing—albeit at a much lower level—after the Great Recession. However, the *Grapevine* survey, which often tracks closely to SHEF, indicates another potential increase in FY 2019.<sup>2</sup>

While appropriations remained flat nationally, there was considerable variation across the states. Twenty-two states saw declines in per-student appropriations in FY 2018. States have also differed greatly in their recovery since the height of the Great Recession. Only nine states have met pre-recession funding levels, and another 11 have seen no recovery at all (their current funding is below the low point of the Great Recession).

- 3. State Financial Aid:** Alongside these declines, state financial aid for students at public institutions—which many states protected during the economic downturn—has increased for four straight years. FY 2018 saw an 8.7 percent increase in state aid, the largest since the Great Recession, as per-FTE state aid reached an all-time high of \$752 and now represents 9.6 percent of all appropriations.
- 4. Net Tuition Revenue:** Tuition revenue, which has risen in all but two of the last 25 years, also remained flat in 2018. **For the first time since the Great Recession, net tuition revenue per-FTE increases did not significantly exceed the rate of inflation.** This may be due, in part, to factors such as lower international FTE enrollment, smaller tuition rate increases, and increases in state public financial aid.
- 5. Total Educational Revenue:** In 2018, educational revenue per student (the sum of educational appropriations and net tuition revenue) was higher than ever before. However, like with educational appropriations and net tuition revenue, this year's report reflects the least change in total educational revenue than in any year since the SHEF data set began in 1980. This story is not true in all states—see the *Interstate Comparison* section on page 23 and recovery case study on page 30 for more details.
- 6. Full-Time Equivalent Enrollment (FTE):** FTE **declined in 35 states and Washington, D.C.,** between 2017 and 2018. Due largely to the recovering economy, FY 2018 enrollment is 6 percent below the Great Recession enrollment high in 2011. However, the annual rate of enrollment decline in most states has slowed in each year since 2015. Nationally, 2018 saw just a 0.3 percent decrease in FTE enrollment from 2017. Enrollment remains 7.1 percent above what it was before the Great Recession in 2008.

Explore these trends, and more, on a state-by-state level using our interactive [Tableau dashboards](#).

---

2. See <https://education.illinoisstate.edu/grapevine>

# STATE HIGHER EDUCATION EXECUTIVE OFFICERS

---

3035 CENTER GREEN DRIVE, SUITE 100, BOULDER, COLORADO, 80301  
303.541.1600 • [SHEEO.org](http://SHEEO.org)

