



Planning and Budgeting Brief

Subject: State Spending on Higher Education, 2008-2010

Date: November 12, 2009

State Spending on Higher Education Has Declined Rapidly

The Great Recession has delivered deep blows to state budgets across the country. Ongoing deficits and mid-year cuts continue to threaten already substantially reduced state funding levels for higher education, which is discretionary spending in most states and easier to cut than constitutionally protected or heavily mandated spending on other sectors such as basic education, healthcare, and law and order.

The data below capture total state general funding of higher education for Fiscal Years 2008, 2009 and 2010¹ across all 50 states. To gather these up-to-date data in a timely manner we directly contacted each state's budget office. To ensure quick response, we asked for three figures: total state general funding for higher education (as defined by the state) for fiscal years 2008, 2009, and 2010. Because we were most interested in the change *within* a state over this crucial period, we only specified the exclusion of non-state funds, capital funds and hospital funds. As a result there was variation in what state figures included: almost all states included two and four year institutions, and some states included financial aid funding.

The overall picture is very clear and quite alarming: **state support for public higher education is in grave danger across the country.** Further, the impending disappearance of federal stimulus dollars and the continuing growth of state deficits pose an even deeper threat to public institutions, which educate roughly 74 percent of our nation's postsecondary students (including 95 percent of students in two-year institutions and 62 percent of those in four-year institutions)². In particular, **Washington funding for higher education was among the hardest hit, ranking 4th in the country for largest decline in state funding last year.** As international competition in the global marketplace continues to accelerate, it is imperative that we find a way to preserve America's premier higher education enterprise; protecting both the quantity and quality of degrees awarded and research conducted. Our Universities have been and continue to be our path to the future, and their health a harbinger of what the country can and will accomplish.

The Largest State Cuts in Higher Education Funding Occurred from 2009 to 2010

With an overall reduction of 16 percent in state support for higher education³, Washington State experienced the 4th highest cut in the nation from 2009 to 2010⁴. Only eleven states had an increase in funding of one percent or higher and only four states experienced increases at a rate greater than the annual average inflation of 3.8 percent for 2008⁵. Of these, only North Dakota and Texas saw funding increases of over 4 percent, mostly fueled by strong energy prices that have since declined. **The average change in state funding for higher education from 2009 to 2010 was a decrease of five percent, in absolute dollars.**

¹ Fiscal Year 2010 state higher education budgets are a moving target in many states, and these data reflect appropriated or budgeted amounts as of October and November 2009.

² Source = Digest of Education Statistics, 2008. Figures are from fall 2006.

³ Near General Fund.

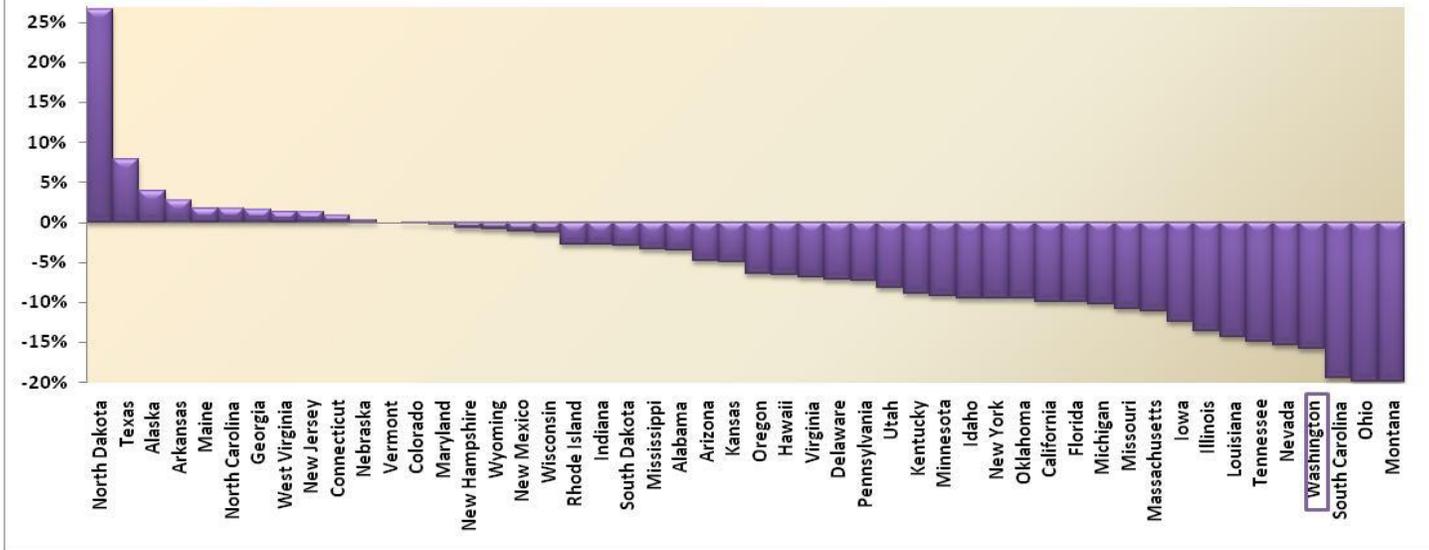
⁴ See end of brief for a table of funding reductions for all 50 states.

⁵ Bureau of Labor Statistics.



Planning and Budgeting Brief

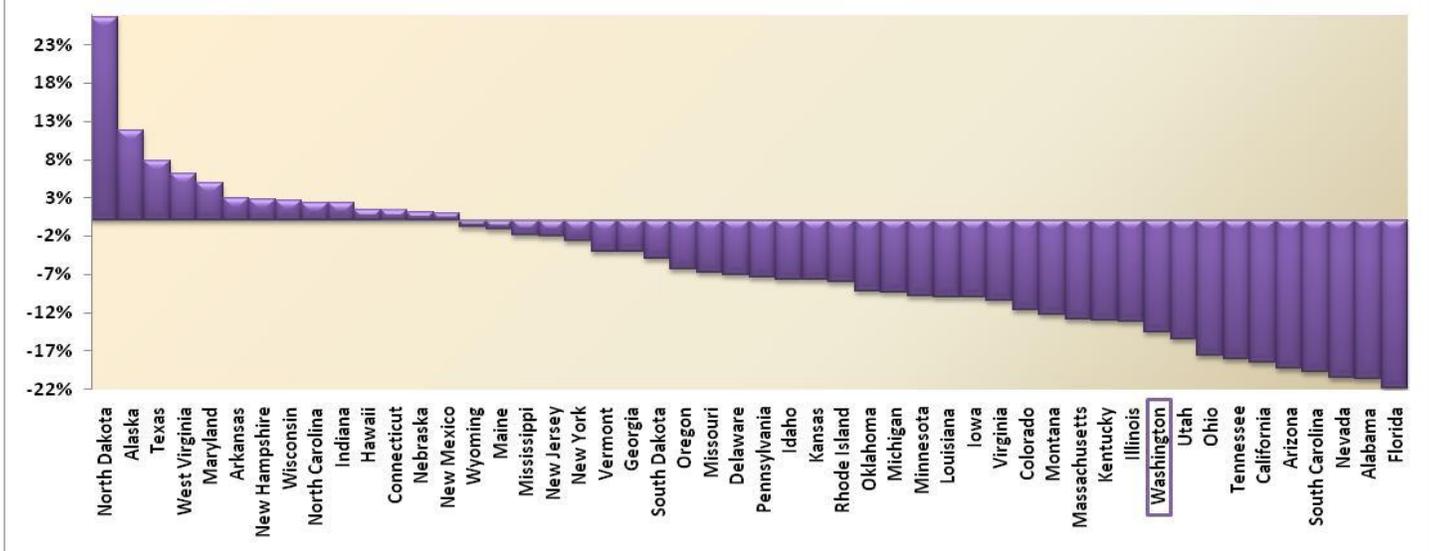
% Change in Total Higher Education Funding, State General Funding FY 2009 to FY 2010 (through Fall 2009)



State Cuts in Higher Education Funding in 2009 Compounded Widespread Cuts Made in 2008

Because the Recession hit some states earlier than others, our analysis included state funding for higher education in Fiscal Year 2008. The overall trend is much the same as above. Only 14 states experienced increases in funding of one percent or greater from 2008 to 2010, and, once again, North Dakota, Texas and Alaska were held up by a strong energy economy that has since declined. **The average change in state funding for higher education from 2008 to 2010 was a decrease of six percent, in absolute dollars.** Washington State experienced the 10th largest cut (15%) during this period.

% Change in Total Higher Education Funding, State General Funding FY 2008 to FY 2010 (through Fall 2009)





Planning and Budgeting Brief

Ongoing Deficits and the Threat of Mid-Year Cuts Continues

It is important to note that the sharp decline in state support for public higher education during this economic crisis does not appear to be over. The Center on Budget and Policy Priorities (CBPP) updated its state budget crisis report on October 20, 2009⁶, and lists the following updated Fiscal Year 2010 state deficit data for the Global Challenge states⁷. Note that many of these deficits continue to grow at this time.

State	Deficit as % of Budget	2008-10 % Change State Higher Ed Funding
CA	51%	-19%
CO	21%	-12%
CT	27%	1%
MD	20%	5%
MA	20%	-13%
NJ	30%	-2%
VA	20%	-10%
WA	23%	-15%

The current average 2010 deficit across the United States, as a percentage of a state's budget, is 26 percent⁸. CBPP reports that even though the economy may have turned the corner towards recovery, the economic outlook for state budgets in the near future continues to look bleak, with continuing job losses and predictions of a slow recovery.

⁶ Find the report: "Recession Continues to Batter State Budgets; State Responses Could Slow Recovery: by Elizabeth McNichol and Nicholas Johnson published on the CBPP website here: <http://www.cbpp.org/cms/?fa=view&id=711>

⁷ A set of peer states and institutions for Washington's higher education institutions, created by the Legislature via the Washington Learns legislation: <http://www.washingtonlearns.wa.gov/>

⁸ Note that these deficits have already been partially closed by last year's budget cuts, although they continue to grow and mid-year cuts are expected in most states.



Planning and Budgeting Brief

Percentage Change in State Funding for Higher Education, 2008-2010

Note: States were given some leeway in defining 'higher education'. Almost all states included 2 year and 4 year institutions, some states included state funding for financial aid and all states excluded federal stimulus dollars, capital and hospital funding. Figures were requested from State budget analysts in October and November of 2009.

STATE	FY10 over FY09	FY10 over FY08
North Dakota	27%	27%
Texas	8%	8%
Alaska	4%	12%
Arkansas	3%	3%
Maine	2%	-1%
North Carolina	2%	2%
Georgia	2%	-4%
West Virginia	1%	6%
New Jersey	1%	-2%
Connecticut	1%	1%
Nebraska	0%	1%
Vermont	0%	-4%
Colorado	0%	-12%
Maryland	0%	5%
New Hampshire	-1%	3%
Wyoming	-1%	-1%
New Mexico	-1%	1%
Wisconsin	-1%	3%
Rhode Island	-3%	-8%
Indiana	-3%	2%
South Dakota	-3%	-5%
Mississippi	-3%	-2%
Alabama	-4%	-21%
Arizona	-5%	-19%
Kansas	-5%	-8%
Oregon	-6%	-6%
Hawaii	-7%	1%
Virginia	-7%	-10%
Delaware	-7%	-7%
Pennsylvania	-7%	-7%
Utah	-8%	-16%
Kentucky	-9%	-13%
Minnesota	-9%	-10%
Idaho	-9%	-8%
New York	-10%	-3%
Oklahoma	-10%	-9%
California	-10%	-19%
Florida	-10%	-22%
Michigan	-10%	-9%
Missouri	-11%	-7%
Massachusetts	-11%	-13%
Iowa	-12%	-10%
Illinois	-14	-13%
Louisiana	-14%	-10%
Tennessee	-15%	-18%
Nevada	-15%	-20%
Washington	-16%	-15%
South Carolina	-19%	-20%
Ohio	-20%	-18%
Montana	-20%	-12%

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