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Higher Education Finance: A Decade of Growth

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The last two years have been jolting ones for higher education finance in Texas, in spite of the resolution of a long struggle to win permanent funding for college construction.

Major tuition increases were enacted for the first time since 1971, and the state fiscal crunch produced by far the smallest appropriation increase in the past decade.

The earlier increases, however, had boosted the state's national rank in per capita higher education spending. In 1975 Texas ranked 28th, spending \$100 per capita for higher education (right at the national average of \$101). By 1984 Texas had moved up to 20th with spending of \$235 per capita, 16% higher than the U.S. average of \$202.

Higher education appropriations for the 1986-1987 biennium rose by only 3% from their 1984-1985 level. They might have actually declined if voters hadn't approved a constitutional amendment creating a college improvements fund.

The amendment mandated the appropriation of \$100 million a year to institutions outside the University of Texas and Texas A&M systems. The money is earmarked for construction, repairs and the purchase of capital equipment and library materials.

The amendment also made Permanent University Fund construction financing available to all UT and A&M system schools and increased their PUF-supported bonding capacity.

But the approval of the proposition in November 1984 may have marked the end of an era in higher education finance in Texas.

It came on the heels of the \$4.6 billion tax increase to boost funding for public schools and highways—and only weeks before the Legislative Bud-

get Board recommended major cuts in higher education spending for the next biennium.

Those recommendations were spurred by a budget crunch that came at a time when legislators were reluctant to retreat from the newly enacted school and highway spending increases. Further constrained by federal court orders in the areas of corrections and mental health, the legislature zeroed in on the only big-ticket item left—higher education.

The sobering fiscal realities brought about a change that many, including the League, had been proposing for some time: a major increase in tuition rates.

Many legislators who had fought higher tuition now saw it as the only way to forestall deep cuts in college appropriations. After months of haggling, the legislature passed a bill that tripled resident academic tuition from \$4 to \$12 per semester credit hour in the fall of 1985 and phases in further increases until it reaches \$24 per credit hour in 1995.

Nonresident tuition was also tripled, from \$40 to \$120 per credit hour, which was then the average cost of an academic education in a Texas college. The rate will be set at 100% of average cost in each succeeding biennium.

The bill also increased medical tuition, and for the first time established separate tuition rates for dental, veterinary and law schools. Previously dental and veterinary school tuition rates were the same as for medical school, and tuition at law schools was the same as the standard academic rate.

The future of colleges and universities in Texas lies partly in the hands of the Select Committee on Higher Education, which has been deliberating and hearing testimony throughout 1986 on virtually every issue facing higher education.

Their recommendations to the Texas Legislature next year could strongly influence higher education policy. But regardless of their recommendations, the days of almost automatic hefty increases in higher education appropriations have probably gone the way of \$35 oil.

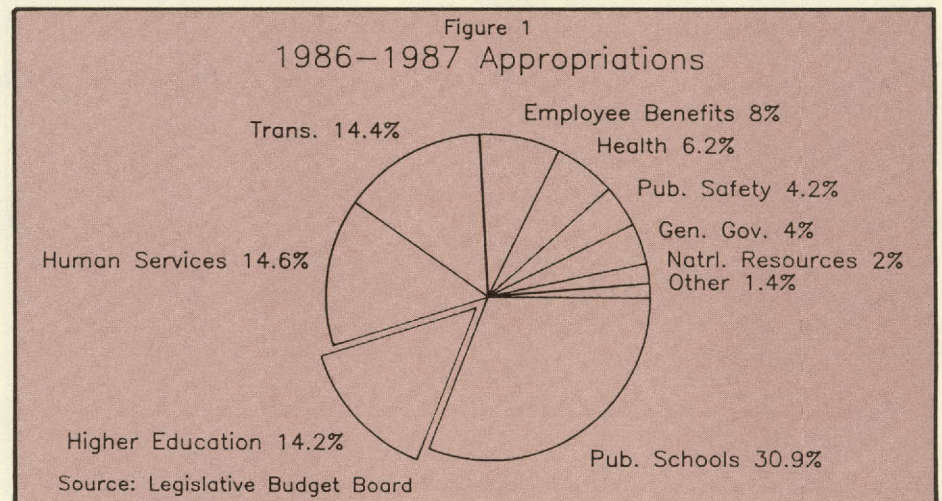


Table 1
State Higher Education Appropriations
(millions of dollars)

	1976-1977	1978-1979	1980-1981	1982-1983	1984-1985	1986-1987
Senior Colleges & Universities	1,255.5	1,533.2	1,778.5	2,300.3	2,844.9	3,036.2
Medical & Dental Schools	408.6	557.1	687.6	1,042.5	1,257.0	1,244.7
Junior Colleges	313.8	426.2	492.0	700.0	880.3	889.8
Other Higher Education	46.4	60.9	80.9	146.1	162.6	128.2
HIGHER EDUCATION TOTAL	2,024.3	2,577.5	3,038.9	4,189.0	5,144.8	5,298.9

The percentages below represent increases from the preceding biennium for the above appropriation figures.

Senior Colleges & Universities	-	22.1%	16.0%	29.3%	23.7%	6.7%
Medical & Dental Schools	-	36.4%	23.4%	51.6%	20.6%	-1.0%
Junior Colleges	-	35.8%	15.4%	42.3%	25.8%	1.1%
Other Higher Education	-	31.3%	32.8%	80.6%	11.3%	-21.1%
HIGHER EDUCATION TOTAL	-	27.3%	17.9%	37.8%	22.8%	3.0%

Source: Legislative Budget Board

Table 2
Percentage Increase, 1976-1977 to 1986-1987,
in State Higher Education Appropriations

	1976-1977	1986-1987	% Increase
Senior Colleges & Universities	1,255.5	3,036.2	141.8
Medical & Dental Schools	408.6	1,244.7	204.6
Junior Colleges	313.8	889.8	183.6
Other Higher Education	46.4	128.2	176.3
HIGHER EDUCATION TOTAL	2,024.3	5,298.9	161.8

As Table 1 shows, higher education appropriations since the 1976-1977 biennium had increased by amounts ranging from 17.9% to 37.8% until the current biennium. Over the entire period, higher education appropriations grew 161.8% (see Table 2). These increases more than offset inflation and growing enrollment in all but the 1980-1981 biennium.

This is illustrated in Table 3, which uses Coordinating Board figures to show biennial appropriations per student full-time equivalents (FTE) in the senior colleges and universities. The Coordinating Board figures exclude new construction and several other items incorporated in the League's senior college classification.

The Coordinating Board figures show that until the current biennium senior college appropriations per FTE had increased by a minimum of 14% during the past decade. Adjusting for inflation using the federal government's price deflator for state and local government shows that those appropriations represented real increases per FTE except during the 1980-1981 biennium.

However, the decline in real senior college appropriations per FTE in that biennium was followed by the largest real increase of the period: 6%.

The Coordinating Board does not publish FTE data for junior colleges. But using fall headcount enrollments and calculating the less precise measure of appropriations per student yields a pattern similar to the one for senior college appropriations.

Table 3
State Higher Education Appropriations
Per Student, Actual and Deflated

	1976-1977	1978-1979	1980-1981	1982-1983	1984-1985
Senior Colleges (FTE)	1,983	2,374	2,718	3,296	3,758
Senior Colleges--Deflated	1,917	1,972	1,884	1,998	2,049
Junior Colleges	729	935	1,004	1,272	1,460
Junior Colleges--Deflated	703	775	695	770	792
Medical Schools	29,795	34,425	37,333	58,760	67,266
Medical Schools--Deflated	28,794	28,596	25,889	35,624	36,687

The percentages below represent increases from the preceding biennium for the above appropriation figures.

Senior Colleges (FTE)	-	19.7%	14.5%	21.3%	14.0%
Senior Colleges--Deflated	-	2.9%	-4.4%	6.0%	2.6%
Junior Colleges	-	28.2%	7.3%	26.7%	14.8%
Junior Colleges--Deflated	-	10.4%	-10.4%	10.8%	2.9%
Medical Schools	-	15.5%	8.4%	57.4%	14.5%
Medical Schools--Deflated	-	-0.7%	-10.0%	38.0%	3.0%

Source: Coordinating Board

Table 4
Percentage Increase, 1976-1977 to 1984-1985,
in State Higher Education Appropriations
Per Student, Actual and Deflated

	1976-1977	1984-1985	%Increase
Senior Colleges (FTE)	1,983	3,758	90.0
Senior Colleges--Deflated	1,917	2,049	7.0
Junior Colleges	729	1,460	100.3
Junior Colleges--Deflated	703	792	12.7
Medical Schools	29,795	67,266	125.8
Medical Schools--Deflated	28,794	36,687	27.4

Table 5
State Senior College Appropriations, by Function,
in Dollars per \$100 in Appropriations

	1976-1977	1986-1987
General Administration	6.63	5.84
General Institutional Expense	1.60	1.20
Staff Benefits	1.09	4.60
Resident Instruction		
Faculty Salaries	47.32	43.59
Departmental Operating Expense	10.17	9.14
Instructional Administration	2.38	2.12
Organized Activities	0.47	0.53
TOTAL--Resident Instruction	60.34	55.38
Vocational Teacher Training	0.08	0.00
Library	5.24	4.97
Organized Research	1.73	0.58
Extension and Public Service	0.49	0.33
Physical Plant Operation and Maintenance		
Plant Support Services	1.22	1.55
Campus Security	0.87	1.10
Building Maintenance	3.81	3.34
Custodial Services	3.10	2.75
Grounds Maintenance	1.02	1.05
Utilities	8.94	12.97
TOTAL--Physical Plant	18.96	22.76
Special Items	3.83	4.34
TOTAL	100.00	100.00

Source: Coordinating Board

As Table 3 indicates, junior college appropriations per student have grown faster than senior college appropriations per FTE in every recent biennium except 1980-1981.

When those figures are adjusted for inflation, constant-dollar junior college appropriations per student showed an increase in every biennium except in

1980-1981. In that biennium the smaller than average appropriations increase of 15.4% conspired with high inflation and solid enrollment growth to drive down real appropriations per student by 10.4%.

As with senior college appropriations, the next biennium saw real junior college appropriations per student

rebound strongly, climbing by 10.8%.

Table 4 shows that from the 1976-1977 biennium through the 1984-1985 biennium—the last for which price deflators are available—real appropriations per FTE have grown a modest 7% for senior colleges and universities.

The less reliable measure of appropriations per student has shown real growth of 12.7% for the state's public junior and community colleges during the same period.

Health-related schools fared better still during the period, at least by the yardstick of real appropriations per student. But the figures include academic as well as professional enrollments, so this measure is very limited as an index of appropriations growth for medical and dental education. As Table 4 indicates, appropriations per student rose 125.8% over the 10-year period.

Adjusted for inflation, the appropriations per student climbed 27.4%, more than twice the junior college increase and four times the senior college/FTE rate. These statistics do not include appropriations for Baylor's medical and dental schools and several other items incorporated in the medical and dental school figures in Table 1.

The Coordinating Board publishes annual breakdowns of legislative appropriations by function for the senior colleges and universities. Table 5 shows how those breakdowns for the 1976-1977 biennium compare to the breakdowns for the current biennium, showing dollar amounts per \$100 of total appropriations. For example, faculty salaries represented \$47.32 of

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Table 6
State Appropriations for 35 Formula-Funded
Senior Colleges and Universities
(millions of dollars)

	1976-1977	1986-1987	%Increase
East Texas State University	34.1	44.8	31.4
East Texas State-Texarkana	5.9	6.3	6.8
Lamar University	32.6	58.0	77.8
Lamar University-Orange	0.0	3.9	0.0
Lamar University-Port Arthur	0.0	4.3	0.0
Midwestern State University	11.5	21.6	87.7
North Texas State University	59.9	119.9	100.3
Pan American University	23.1	39.0	68.8
Pan American U.-Brownsville	0.0	6.1	0.0
Stephen F. Austin State U.	32.0	58.8	83.8
Texas A&M University System			
Prairie View A&M University	26.0	31.7	21.9
Tarleton State University	10.1	23.1	128.3
Texas A&M University	121.9	348.5	186.0
Texas Southern University	26.9	51.4	90.9
Texas State University System			
Angelo State University	12.9	25.9	101.4
Sam Houston State University	31.3	50.4	61.1
Southwest Texas State U.	35.7	81.2	127.6
Sul Ross State University	9.6	15.0	56.7
Texas Tech University	83.1	157.7	89.9
Texas Woman's University	32.2	63.6	97.5
University of Texas System			
UT at Arlington	44.8	116.2	159.4
UT at Austin	202.2	425.8	110.6
UT at Dallas	24.4	58.9	141.7
UT at El Paso	33.5	71.0	111.9
UT of the Permian Basin	10.1	14.8	47.1
UT at San Antonio	37.8	51.5	36.0
UT at Tyler	14.0	18.2	29.5
University of Houston System			
UH-Clear Lake	13.1	29.5	125.6
UH-Downtown	0.0	22.1	0.0
UH-University Park	108.6	207.7	91.3
UH-Victoria	4.9	5.6	13.1
University System of South Tex			
Corpus Christi State U.	22.8	18.4	-19.1
Laredo State University	3.1	6.3	103.2
Texas A&I University	22.7	32.4	42.6
West Texas State University	21.3	32.9	54.0
SUBTOTAL 35 Formula-Funded	1,152.0	2,322.4	101.6
Senior Colleges&Universities			

Source: Legislative Budget Board

every \$100 appropriated to senior colleges in the 1976-1977 biennium. That proportion has declined to \$43.59 per \$100 in the current biennium.

It should be noted that the organized research figure shown for the current biennium doesn't include the special \$35 million appropriation for high technology research projects that was added to the Coordinating Board's budget.

How did individual institutions fare during the period? Table 6 shows the appropriations growth (unadjusted for FTE or inflation) for the 35 formula-funded senior colleges and universities in Texas.

Although Texas A&M's appropriations growth of 186% was tops in the group, far ahead of UT-Austin's 110.6%, the figures don't include appropriations from the Available University Fund, the lion's share of which goes to UT.

Thanks to the explosion in oil prices in the 1970s, the Available University Fund mushroomed during the period. The biennial AUF appropriation shot up 448.7%, from \$79.3 million in the 1976-1977 biennium to \$435 million in the current biennium.

Other institutions that enjoyed appropriations growth in excess of 125% during the period were UT-Arlington (159.4%), UT-Dallas (141.7%), Tarleton State University (128.3%), Southwest Texas State University (127.6%) and the University of Houston at Clear Lake (125.6%).

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