

Grapevine

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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.

IN THIS ISSUE

Tax Reform and Higher Education. Enclosed

Enclosed is a complimentary copy of the the February 1, 1986, issue of CAPITAL IDEAS, provided by the National Forum for College Financing Alternatives, Dr. Richard E. Anderson, Director.

This double issue on tax reform, with Gail Franck of the Forum's staff as principal author, grew out of a conference sponsored by the National Forum which was held in Annapolis, MD, last October. The article is an overview of the five major revenue sources for colleges and universities--tuition, charitable contributions, debt financing, endowment, and governmental appropriations--and explains the implications of the new Internal Revenue Code for individuals and for institutions.

Questions and comments about CAPITAL IDEAS should be directed to Dr. Richard Anderson at Teachers College, Columbia University, Box 38, 525 West 120th Street, New York, NY 10027; telephone: (212) 678-3293, 4075.

APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF SYSTEMS OF HIGHER EDUCATION

In FY1987, 38 multi-campus universities and 27 consolidated system of higher education received \$20.4 billion, or approximately two-thirds of the nationwide total, of state tax funds for the operating expenses of higher education.

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Table 5. MULTICAMPUS UNIVERSITIES WHICH RECEIVED \$100,000,000 OR MORE OF STATE TAX FUNDS APPROPRIATED FOR OPERATING EXPENSES FOR FY1987, WITH PERCENTAGES OF GAIN OVER THE MOST RECENT TWO AND TEN YEARS. (In \$1,000s)

Institutions	Year 1976-77	Year 1984-85	Year 1986-87	2-yr gain Percent	10-yr gain Percent
(1)	(2)	(3)	(4)	(5)	(6)
U of California	652,574	1,457,147	1,803,165	24	176
U of Texas	337,084	874,943	783,426	-10	132
U of Illinois	234,142	418,365	485,459	16	107
U of Minnesota	154,500	308,173	364,522	18	136
U of Maryland	126,253	256,677	312,681	22	148
Louisiana State U	108,058	318,612	309,637	- 3	187
Ohio State U*	135,252	227,442	275,727	21	104
Indiana U	118,936	218,820	256,337	17	116
U of Missouri**	127,709	200,007	255,608	28	100
Texas A&M U	105,188	286,226	254,235	-11	142
U of Michigan	123,811	204,793	252,224	23	104
U of Massachusetts***	105,794	211,884	251,154	19	137
U of Tennessee	91,096	204,602	245,071	20	169
Rutgers, St U of NJ**	81,201	172,815	207,100	20	155
U of Kentucky	82,106	168,506	190,067	13	131
U of Alabama***	74,210	162,962	182,529	12	146
Pennsylvania State U	106,759	162,700	181,924	12	70
Purdue U	84,700	150,421	181,046	20	114
U of Hawaii	75,654	141,402	174,880	24	131
U of Nebraska	94,600	163,897	167,735	2	77
Southern Illinois U	92,029	140,655	165,218	17	80
U of Arkansas	71,754	153,536	163,940	7	128
U of Connecticut***	73,508	137,603	162,159	18	121
U of Colorado	60,313	141,637	155,773	10	158
Arizona State U	51,456	118,716	154,797	30	201
U of South Carolina	51,138	122,007	143,877	18	181
U of Alaska	64,829	166,904	143,531	-14	121
U of Iowa	73,571	137,303	141,999	3	93
U of Kansas	68,981	136,594	133,804	- 2	94
U of Virginia	51,085	108,844	132,989	22	160
U of Cincinnati	38,156	100,819	119,168	18	212
U of Oklahoma	45,355	103,607	107,677	4	137
West Virginia U***	60,499	98,632	107,661	9	78
U of New Mexico	38,459	100,731	106,223	5	176
AuburnU***	43,600	91,314	104,318	14	139
U of Houston	56,113	130,242	103,371	-21	84
Oklahoma State U	42,308	96,801	100,561	4	138
U of Pittsburgh	60,486	89,732	100,324	12	66
Totals	4,063,267	8,486,071	9,481,917		
Weighted average percentages of gain				12	133

*An estimated sum has been added to each figure for the branch campuses at Mansfield, Lima, Marion and Newark.

**Beginning in FY1987, a sum for social security is included in the institutional figures. Formerly this figure was reported separately, therefore, the percentages of gain are somewhat overstated.

***Figures do not include some fringe benefits and/or salary increases which were reported as a lump sum for all of the institutions in the state.

MULTI-CAMPUS UNIVERSITIES AND CONSOLIDATED SYSTEMS

Statement of Limitations: The brief trend analysis below deals with state tax support of multi-campus universities and consolidated systems of higher education over the most recent four fiscal years. This analysis is only a beginning. A more complete picture of the financing of higher education needs to go beyond only state tax appropriations to such areas as local tax appropriations which are vital to community colleges in many states; to student tuition which in some states is reappropriated by the state to individual campuses; to federal funds which may flow from Washington, D.C., through the state to the campus; and to other non-tax revenue which may be appropriated by the state to higher education--this may range from lottery proceeds to revenue from off-shore oil rigs to a number of other special revenue sources. GRAPEVINE advises considerable caution in attempting analyses of higher education support based on limited data. Thus, the brief analysis below is preliminary and tentative. However, it may offer a beginning to a more complete analysis when more data are available, and it suggests that it is useful to complete trend analyses of important segments of higher education, such as multi-campus universities and consolidated systems.

Sixty-five Entities Received 63% of Appropriated Funds

Multi-campus universities and consolidated systems of higher education comprise a major segment of American higher education. As shown in Tables 5 and 6, these include 65 entities which received \$20.4 billion in state tax funds in FY1987. This amount was 63% of the \$32.4 billion appropriated by the states for higher education in the current fiscal year. This percentage is just slightly above the 62% appropriated to multi-campus universities and consolidated systems in FY1986, and is greater than the 60% share in FY1985 and 58% share in FY1984. Since the 1983-84 academic year, these entities have grown larger in the amount of state tax support (in dollars and percentage share) with the most recent trend beginning to level off.

Multi-campus universities have three distinguishing characteristics. They have the oldest, and frequently the largest, campus as their primary or "home" campus. Multi-campus universities have

branch or regional campuses which may be either two-year or four-year institutions, or specialized institutions such as medical or health sciences centers. Multi-campus universities have all of their campuses under the jurisdiction of one governing board.

Consolidated systems of higher education, on the other hand, include individual campuses which existed before the system was created. These individual campuses often are located distances from each other, and, historically, they have been administered separately. The principal feature of the consolidated system is the creation of a single governing board at a point in time after the individual campuses came into existence. This single governing board is generally not connected to the primary campus, as is found in multi-campus universities. Rather, the governing board may be located at a distance from any or all of the campuses, and frequently is located in the state capital.

Table 7. TRENDS IN STATE TAX SUPPORT OF MULTI-CAMPUS UNIVERSITIES (M) AND CONSOLIDATED SYSTEMS (C).

	FY1984		FY1985		FY1986		FY1987	
	M	C	M	C	M	C	M	C
Number of entities	32	21	32	24	35	25	38	27
2-yr gain (%)	Percent in each category							
40 +	0	0	0	0	11	0	0	0
30 - 39	6	0	3	4	6	12	5	7
20 - 29	13	14	34	13	20	24	26	19
10 - 19	53	48	44	58	35	48	37	44
0 - 9	25	33	16	25	17	16	18	19
Less than 0	3	5	3	0	11	0	16	11
All M's & C's								
2-yr gains (%)	12	11	17	16	20	20	12	16
Nationwide for all higher education	11		16		19		14	
2-yr gain (%)								

Center for Higher Education
 College of Education
 Illinois State University, Normal, IL. 61761-6901

Grapevine

Edward Hines, Director and Editor
 M.M. Chambers, Founding Editor
 Gwen B. Pruyne, Managing Editor

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Only those entities which received \$100,000,000 or more of state tax support are included in Tables 5 and 6. Three of these 65 entities garnered over one billion dollars each in state tax support in the current fiscal year. These included the University of California (\$1.8 billion) in the multi-campus group; and California State University (\$1.4 billion) and the State University of New York (\$1.3 billion) in the consolidated systems group. Four new multi-campus universities joined the grouping this year. They include the University of Cincinnati, West Virginia University, the University of Maine, and the University of Pittsburgh. One state (Texas) has three multi-campus universities: the U of Texas, Texas A&M U, and the U of Houston. Six other states have two multi-campus universities each receiving more than \$100 million in state tax funds: Alabama (U of Alabama and Auburn); Illinois (Southern Illinois U and the U of Illinois); Indiana (Indiana U and Purdue); Ohio (U of Cincinnati and Ohio State U); Oklahoma (U of Oklahoma and Oklahoma State U); and Pennsylvania (Pennsylvania State U and U of Pittsburgh).

Percentages of Gain over Two Years: Tables 7 displays trend data in state tax support of multi-campus universities and consolidated systems over the most recent four fiscal years according to category of two-year gain. Since the number of entities in each grouping (multi-campus and consolidated) varies from year to year, the data are displayed in percentages in order to facilitate comparisons. For

example, in FY1987, there were 38 multi-campus universities and 27 consolidated systems, each receiving more than \$100 million in state tax funds. Five per cent of the multi-campus universities and seven per cent of the consolidated systems made two-year gains between 30% and 39%, where 16% and 11% of the multi-campus and consolidated systems respectively, made less than 0% (a negative gain) over the most recent two years.

In FY1984, the nationwide two-year gain for all higher education was 11%, the lowest reported two-year gain since GRAPEVINE began in 1958-59, so the most recent four years in state support of higher education have demonstrated only modest growth. Overall, both multi-campus universities and consolidated systems did at least as well or slightly better than the nationwide average in two-year gain in FY1984, FY1985, and FY1986. In the current fiscal year, consolidated systems gained four percentage points higher than the nationwide average while multi-campus systems represented two percentage points less than the nationwide average. These observations span only the most recent four fiscal years and do not represent a solid trend over time. However, we can begin to observe that these entities generally have done at least as well and usually a bit better than the nationwide two-year gain figures. Most recently, multi-campus universities appear not to have done quite as well as either the consolidated systems or the nationwide average. Additional time is needed in order to generate a more stable trend analysis.

Table 6. APPROPRIATIONS OF STATE TAX FUNDS FOR OPERATING EXPENSES OF CONSOLIDATED SYSTEMS OF HIGHER EDUCATION IN 25 STATES, FISCAL YEAR 1987, WITH PERCENTAGES OF GAIN OVER THE MOST RECENT TWO AND TEN YEARS. (In \$1,000s)

System (1)	Year 1976-77 (2)	Year 1984-85 (3)	Year 1986-87 (4)	2-yr gain percent (5)	10-yr gain percent (6)
California State U	638,126	1,199,728	1,419,947	18	123
State U of New York	668,121	1,151,511	1,369,753	19	105
U of North Carolina	298,139	700,904	864,579	23	190
State U System of Florida	268,027	666,980	855,554	28	219
Mass Board of Regents	234,292	641,844	816,379	27	248
State U System of Georgia	265,562	611,867	714,004	17	169
U of Wisconsin System	301,882	514,392	549,512	7	82
City U of New York	128,050	419,437	449,557	7	251
Arizona Board of Regents	153,989	329,455	420,171	28	173
Kansas Board of Regents	160,569	306,175	319,233	4	99
Iowa Board of Regents	158,698	301,939	312,725	4	97
PA System of Higher Ed	169,026	250,251	283,987	13	68
TN State U's & Comm Colls	96,894	226,886	269,677	19	178
OR System of Higher Ed	135,141	216,896	264,850	22	96
Utah Board of Higher Ed	101,985	235,799	257,249	9	152
W VA Board of Regents	124,880	220,069	241,087	10	93
Miss, Insts of Higher Learning	117,299	253,884	238,498	- 6	103
LA, Bd of Trustees System	84,952	184,826	182,161	- 1	114
Illinois Brd of Regents	83,562	133,702	156,153	17	87
Illinois Brd of Governors	74,905	119,947	142,530	19	90
ND Brd of Higher Ed	48,865	112,037	124,430	11	155
Minnesota State U System	55,809	106,166	122,458	15	119
RI Board of Regents	56,350	104,498	117,149	12	108
Idaho, Bd of Education	56,164	94,610	106,669	13	90
U of Nevada System	42,355	78,645	102,419	30	142
U of Maine System	34,477	72,879	101,026	39	193
Montana University System	46,330	104,117	100,065	- 4	116
Totals	4,604,449	9,359,444	10,901,822		
Weighted average percentages of gain				16	137

Explanatory Note: There may be one or more multi-campus universities within some consolidated system. Considering only those universities which are included in Table 5, there are four examples: the University of Massachusetts with campuses at Amherst, Boston, and Worcester is part of the Massachusetts Board of Regents system. The University of Iowa has a branch campus at Oakdale; West Virginia University has a two-year branch, Potomac State College. Arizona State University has a separate Westside Campus, and the University of Kansas has a Medical Center located in Kansas City which is some distance from the Lawrence campus.