

INTRODUCTION

This paper has been prepared for the James Madison University Board of Visitors. The material presented herein is a continuation of similar papers prepared for the board since 1990. Most of the data updates tables, charts and graphs from these previous papers. This emphasis on continuity is purposeful. It is intended that this be an annual effort that concentrates on building longitudinal databases used for trend analyses.

The purpose of the paper is to identify and describe significant national, regional and state factors affecting the financing of higher education. Trends affecting tuition and fees, state appropriations and expenditures are analyzed in separate sections of the paper.

Each year, a different topical issue affecting the financing of higher education is featured in the paper's introduction. This year, we examine the continuing effects of a weak national economy on state appropriations for public higher education in the South and the subsequent impact on tuition. For FY2004, additional budget reductions in general fund operating appropriations for Southern Region Education Board (SREB) state institutions generated an average decline of 0.8% in appropriations per full-time equivalent students (FTES). With a decline of 5.7% for FY2004, Virginia ranked third highest in FY2004 among SREB states.

For FY2003, SREB states experienced an average 9.7% increase in in-state undergraduate tuition and fees. At 16.6%, Virginia ranked third in FY2003 (behind only South Carolina and North Carolina) in increases in in-state undergraduate tuition and fees among SREB states.

Virginia remains — in spite of a modest 3.2% absolute dollar increase in general fund support to higher education for 1998-99 to 2003-04 — a high tuition and fee state. The Commonwealth ranks ninth highest out of 50 states (up from 12th) and the fourth highest in the southern region for in-state undergraduate tuition and fees. Virginia also remains low in general fund support for higher education on a per full-time equivalent students (FTES) basis. Regionally, Virginia is 14th (down from 11th) out of 15 southern states on this important indicator.

Virginia is one of two SREB states to report faculty salary increases in FY2004 (2.25%). The other state reporting an increase - North Carolina - is providing 0.5% faculty salary increases only for community college faculty (although faculty at both four- and two-year institutions will receive \$550 one-time bonuses). The remaining states generally reported no salary increases.

Greater access through increased financial aid is becoming a more widely pursued goal. Virginia increased general fund support for financial aid by \$4.5 million. Through legislation, the Commonwealth encouraged institutions to set aside a portion of the revenue generated through tuition increases for financial aid. Several SREB states created new merit- and need-based financial aid programs, including programs designed to encourage enrollments in priority areas.