

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.

This year, we examine the effects of the national economy on state appropriations for public higher education in the South and the subsequent impact on tuition. For 2004-2005, state revenue increases provided Virginia's public higher education institutions with a higher GF Appropriation (on average) than much of the nation. Virginia increased general fund appropriations for operating costs for higher education by 10.6 percent compared to a national average increase of 3.8 percent and an average increase of 3.3 percent among Southern Regional Education Board (SREB) states.

For FY 2003 (the most current SREB data), SREB states experienced an average 9.7 percent increase in in-state undergraduate tuition and fees. At 16.6 percent, Virginia ranked third in FY 2003 (behind only South Carolina and North Carolina) for in-state undergraduate tuition and fee increases among SREB states.

Virginia remains — in spite of its absolute dollar increase in general fund support to higher education for 1995-96 to 2001-02 — a high tuition and fee state. The Commonwealth ranks ninth highest out of 50 states and the third highest in the southern region for 2003-04 in-state undergraduate student charges. Virginia also remains low in general fund support for higher education. Nationally the Commonwealth ranks 38th in appropriations in FY 2005 and regionally, ranks 14th out of 15 southern states in FY 2003-04 on this important indicator.

Virginia reported faculty salary increases in FY 2005 of 3.0 percent. To reach the 60th percentile of national salary averages in higher education, future and more substantive salary increases will be needed.

Greater access through increased financial aid is becoming a more widely pursued goal. Virginia increased general fund support for financial aid by \$6.7 million. The Commonwealth has encouraged institutions to set aside a portion of the revenue generated through tuition increases for financial aid. Several SREB states continue to create new merit and need-based financial aid programs, including programs designed to encourage enrollments in priority areas.