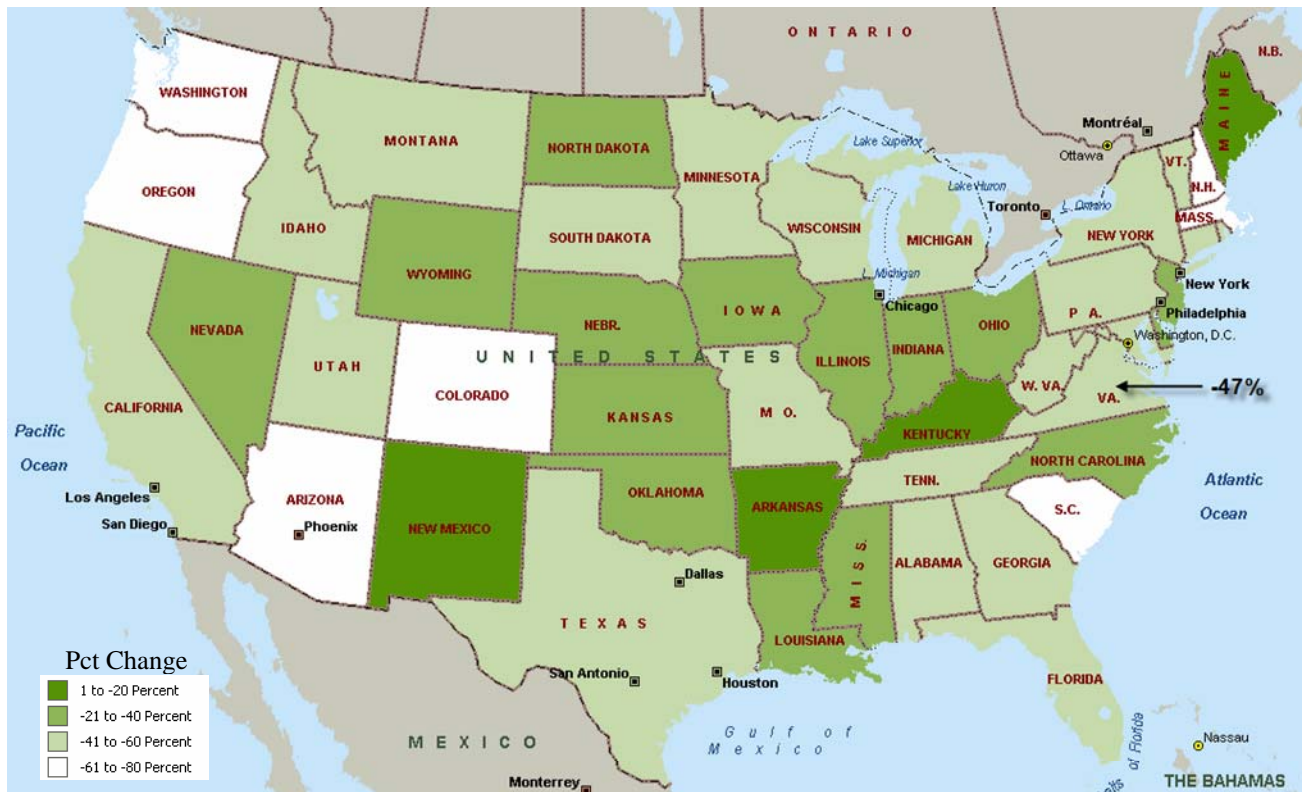


3.0 STATE APPROPRIATIONS

3.1 National Trends

Nationally, the majority of states have experienced dramatically decreased revenues – combined with significant pressures to fund a variety of critical initiatives. One result of this difficult combination of factors has been a decline in the state appropriations going to higher education. The FY 2006 appropriations were 16 percent below FY 2001, 14 percent below FY 1996, and 37 percent below FY 1977. Only one state (Nevada) showed an increase (+1%). The states with the greatest declines were Colorado (-73%), Arizona (-62%), South Carolina (-58%), and Oregon (-57%). Since 1976 Virginia’s decline (-47%) is 10% higher than the national average. In FY 2006 Virginia ranked 38th in appropriations per \$1,000 at \$5.55, \$1.01 below the national average of \$6.56. In 1981 Virginia ranked 27th at \$10.74, \$0.49 above the national average of \$10.25.

Changes in Appropriations of State Tax Funds for Operating Expenses of Higher Education per \$1,000 of Personal Income FY 1977 to FY 2006



Source: Postsecondary Education OPPORTUNITY, February 2006

The table below shows JMU's total E&G funding (tuition, E&G fees and general funds) per FTE student in relation to its public national peer group for 2003-04 – the most recent year for which the data are available. JMU is 17th out of the 19 public universities, up from 18th in 2002-03. At \$8,312 (up from \$8,078 in 2002-03) per FTES, JMU was \$1,531 below the median and \$2,053 below the 60th percentile. For 2003-04, JMU would have required an additional \$24.2 million in E&G operating funds to reach the median of its national peer group or \$32.5 million to reach the 60th percentile.

TOTAL FUNDING PER FTE STUDENT
JMU National Peer Group (Public Institutions Only)
2003-04 Data

Institution Name	Fall 2003 FTE Students	Tuition & Fees	State Appropriations	Total Tuition & Fees Plus State Appropriations	Total Revenue Per FTES
University Of Rhode Island	12,788	98,772,533	83,073,837	181,846,370	14,220
Ohio University-Main Campus	21,839	153,797,947	119,933,911	273,731,858	12,534
SUNY At Binghamton	13,108	52,033,714	100,140,028	152,173,742	11,609
University Of Oregon	19,871	152,015,018	62,265,101	214,280,119	10,784
University Of North Dakota-Main Campus	12,261	72,966,544	59,197,215	132,163,759	10,779
California State University-Chico	14,134	37,820,831	113,356,432	151,177,263	10,696
California State University-Fresno	17,443	49,900,165	133,986,246	183,886,411	10,542
University Of Northern Iowa	12,263	49,078,469	79,256,054	128,334,523	10,465
Appalachian State University	13,839	51,445,373	87,105,718	138,551,091	10,012
University Of Tennessee-Chattanooga	7,700	36,246,035	39,544,157	75,790,192	9,843
Indiana University Of Pennsylvania-Main Campus	12,895	67,319,615	55,877,398	123,197,013	9,554
Towson University	14,810	82,795,531	57,824,042	140,619,573	9,495
SUNY College At Brockport	7,506	27,294,083	43,579,848	70,873,931	9,442
Salisbury University	6,230	31,271,679	25,442,364	56,714,043	9,103
Western Washington University	13,252	62,981,796	56,272,803	119,254,599	8,999
College Of Charleston	10,304	64,584,629	27,353,840	91,938,469	8,923
James Madison University	15,814	73,842,646	57,597,656	131,440,302	8,312
SUNY College At Oswego	7,538	26,998,623	35,323,324	62,321,947	8,268
Middle Tennessee State University	19,933	76,219,797	82,359,300	158,579,097	7,956
				Median	\$9,843
				60th Percentile	\$10,374

Notes

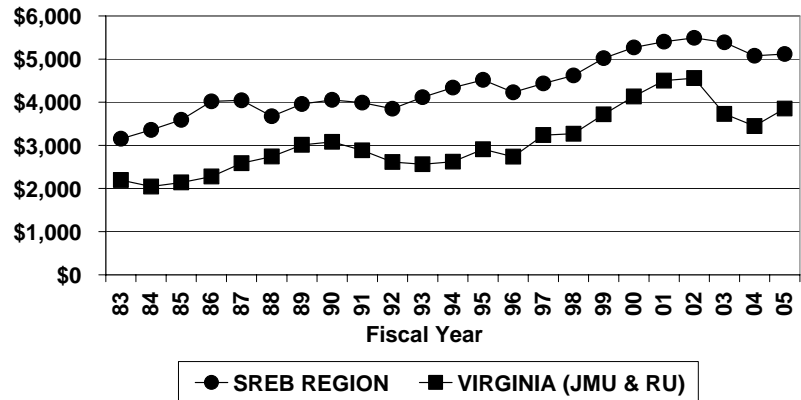
1. All data are taken from the 2003-04 IPEDS Finance (F1) and EF forms.
2. FTE students were calculated from Fall 2003 headcount data using the standard federal methodology.

3.2 Regional Trends

During the period of 1982-83 through 2004-05, Virginia ranked near the top in tuition and required fees among SREB Four-Year 3 institutions in the Southern Region Education Board states.

During this same time period, state general fund operating appropriations per FTE student in Virginia ranked near the bottom among similar institutions in SREB states. In 2004-05 Virginia ranked 12th out of 15 states.

GF Appropriations Per Student Comparisons
Four-Year 3 Institutions

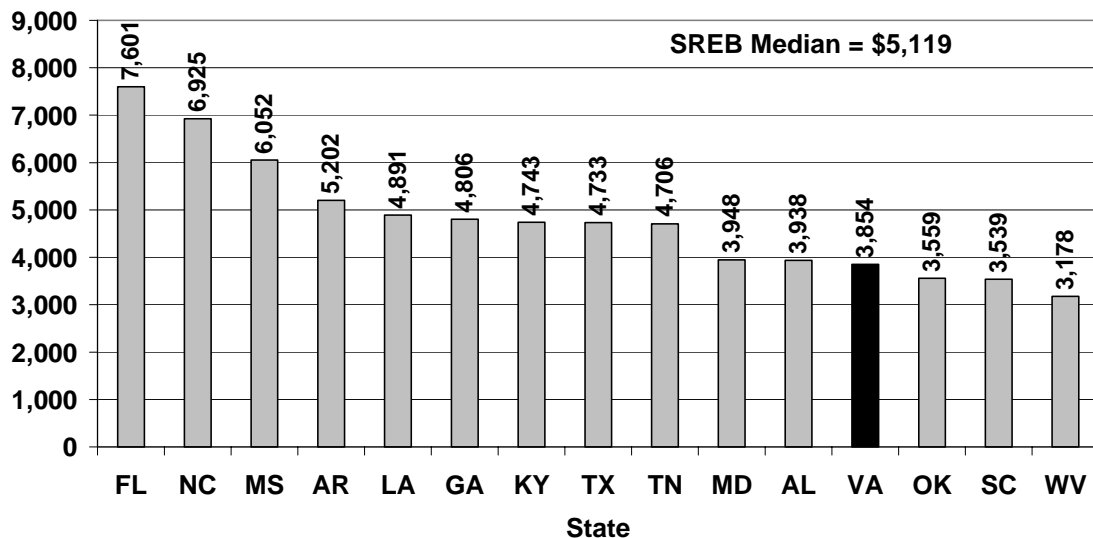


Source: SREB Data Exchange

Per-student funding for Virginia's Four-Year 3 institutions gained ground on the SREB regional average between 1990-91 and 2001-02, but lost significant ground between 2002-03 and 2004-05. Since 1992-93, the funding per full-time equivalent (FTE) student at the Virginia Four-Year 3 institutions rose 50.4 percent while the SREB regional average increased 24.4 percent.

As shown below, per FTE student funding in Virginia was \$1,265 below the regional median of \$5,119 for comparable institutions in 2004-05.

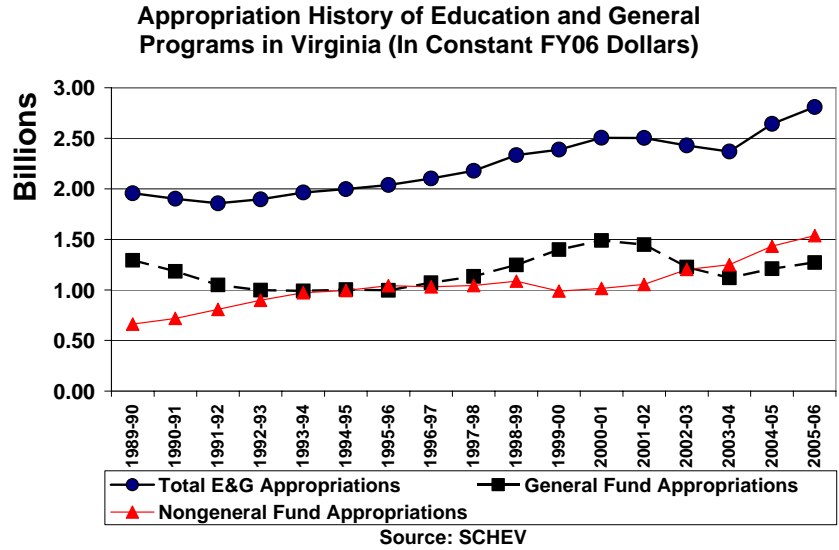
2004-05 General Fund Appropriation
Per FTES, Four-Year 3 Institutions



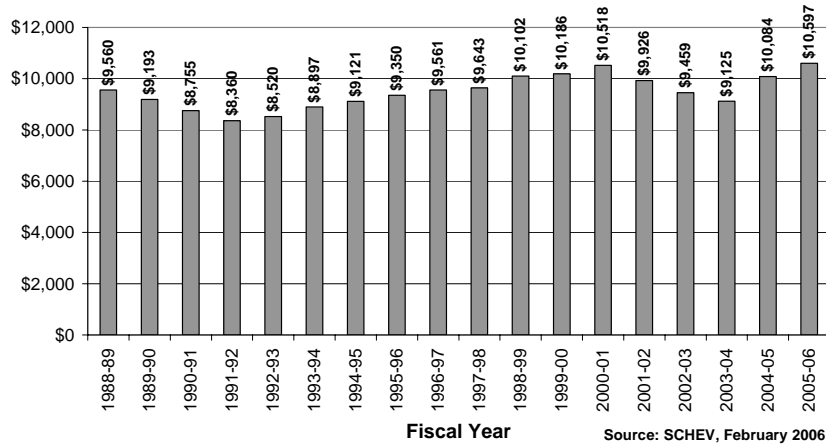
Source: SREB Data Exchange, January 2006

3.3 State Trends

As the chart to the right indicates, the funding of higher education in Virginia has been greatly influenced by policy and budgetary developments. In 1988-89 non-general funds per student were about 50 percent of general funds. By 1995-96 non-general funds per student were about equal to general funds, indicating that students bore a significantly higher proportion of their total educational costs. The situation improved markedly between 1996-97 and 2001-02, but the budget problems resulted in the non-general funding distribution exceeding the values that existed in the mid-1990s.



History of Inflation Adjusted Total E&G Appropriations Per Total FTE Student Adjusted to FY06 Dollars

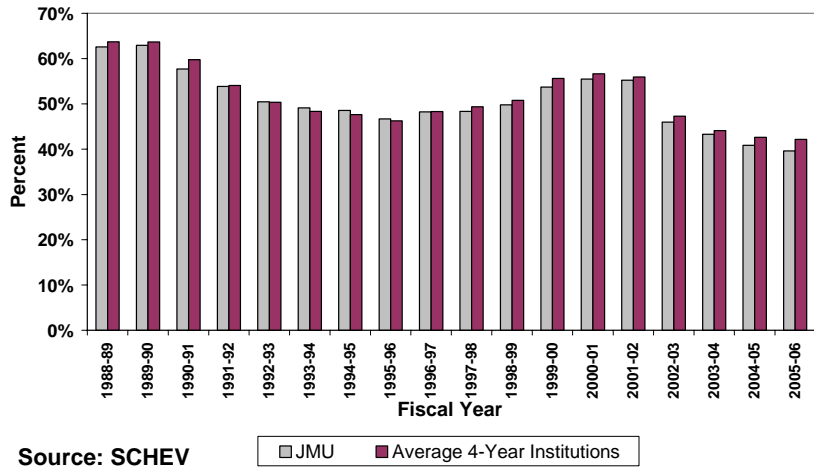


According to the data provided by SCHEV, in constant FY 06 dollars, general fund appropriations decreased by less than one percent, non-general fund appropriations increased by 58 percent and total E&G appropriations increased by 31 percent from FY89 to FY06. This means that the Virginia public institutions have more resources for operations now than they had 15 years ago, but this increase was generated from tuition revenue, not from state support.

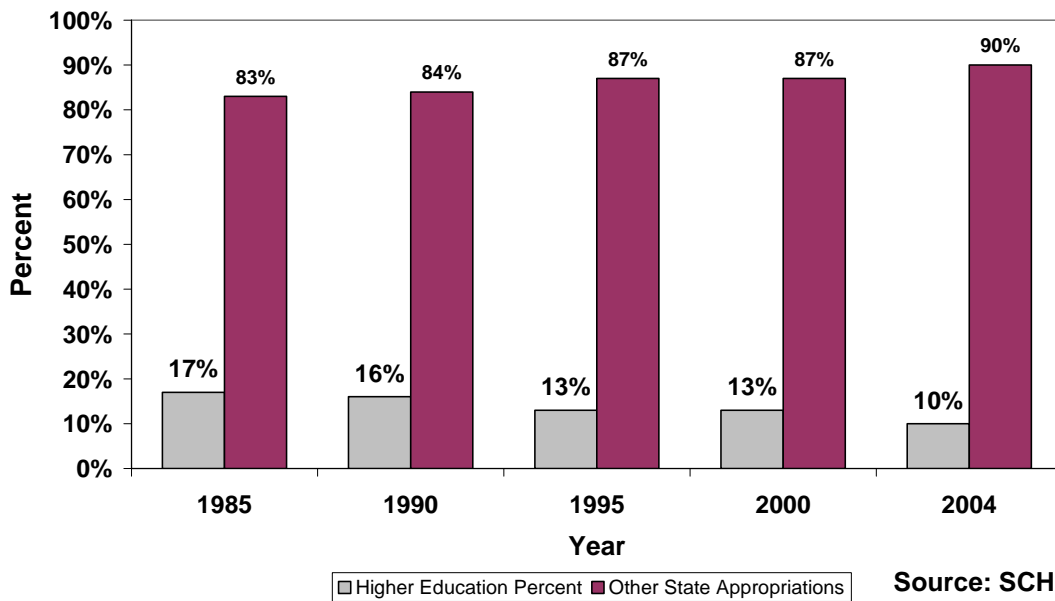
As demonstrated in the chart above, total E&G funding in 2003-04 was less than 1988-89 funding. By 2005-06, total funding is approximately 10 percent higher than in 1988-89. However, as shown above, this increase in funding is primarily borne by students and their parents.

State general fund support to JMU dropped from 64 percent of the total educational and general (E&G) appropriation in 1988-89 to 46 percent in 1995-96. The percentage increased to 56 in 2001-02, but dropped to 42 percent in 2005-06. JMU's percentage mirrored that of the other four-year Virginia institutions. While improvement occurred between 1995-96 and 2001-02, the percentage is now the lowest since 1988-89. Virginia's budget shortfall resulted in this percentage declining to percentages below those of the difficult budget years of the mid-1990s.

**General Fund As A Percent Of Total E&G
JMU And All 4-Year Institutions
1988-89 To 2005-06**

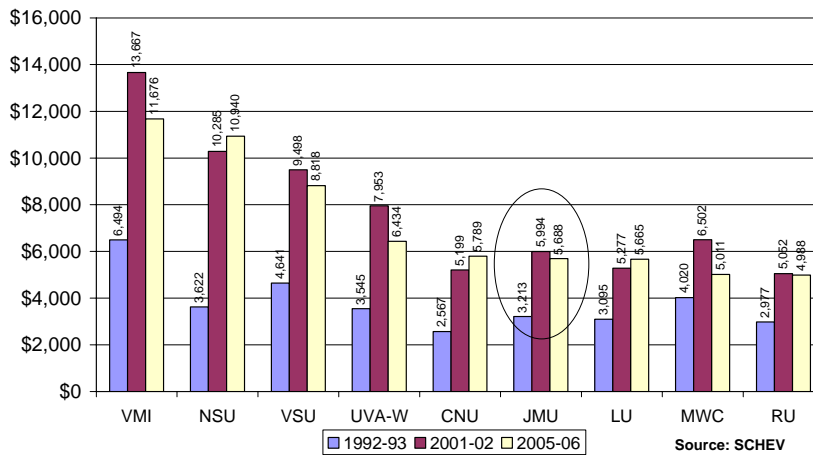


**Virginia Higher Education Appropriation
Percent of Total General Fund Appropriations**



Higher education's share of Virginia's total general fund appropriation decreased from 17 percent in the 1985 to 10 percent in 2004. Given the demands on the Commonwealth's budget by medical costs, other mandates and the uncertain revenue stream, it is unlikely that higher education's proportion of the State's budget will improve in the foreseeable future.

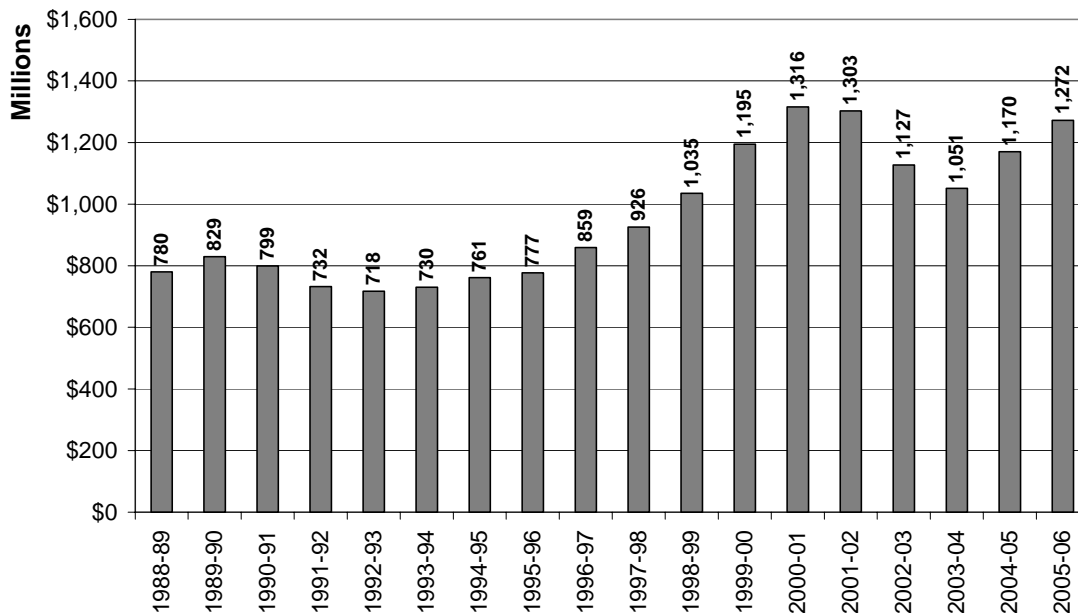
**General Fund Appropriations
Per In-State FTE Student,
1992-93, 2001-02 And 2005-06**

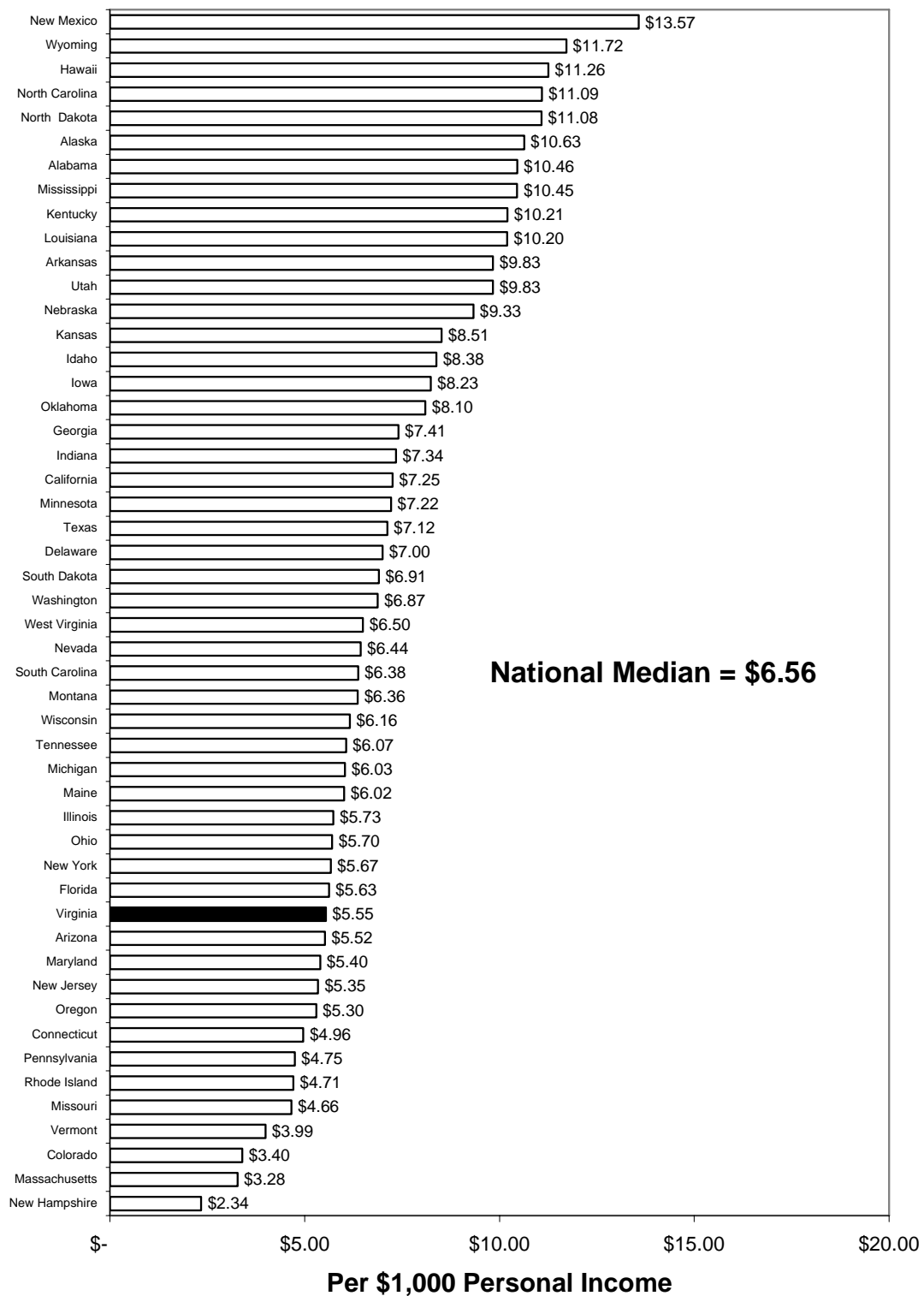


JMU's 2005-06 general fund appropriation per in-state FTE student was \$1,490 below the average of the four-year Virginia public institutions. Its 2005-06 appropriation was \$486 below 2000-01. Were JMU to be funded at the average for all four-year institutions in 2005-06, its general fund appropriation would increase by \$16.0 million.

As the Commonwealth's two Four-Year 3 institutions, JMU and Radford are in a higher category than all other state comprehensive colleges and universities. In most state higher education systems, higher category institutions receive higher per student appropriations needed to meet their more complex missions.

**General Fund Appropriations (E&G)
All Higher Education Institutions**





Source: Postsecondary Education OPPORTUNITY, February 2006

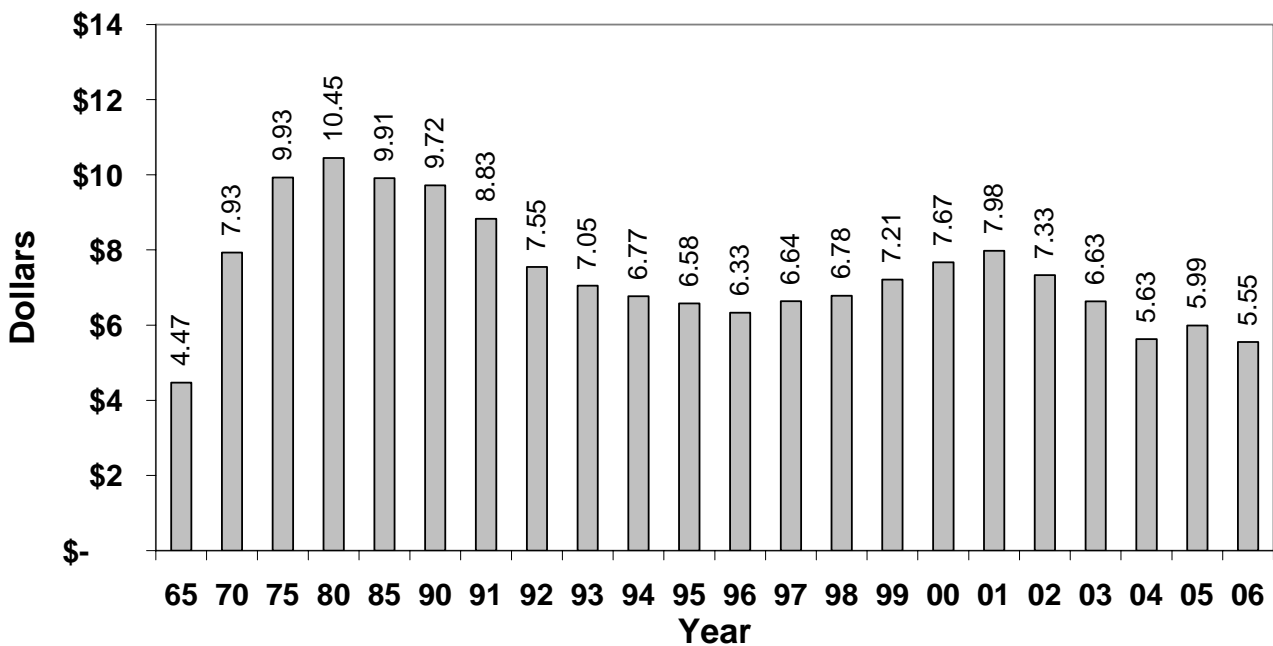
Source: SCHEV

The graphic on the previous page and the one below examine higher education funding in terms of what is generally called “effort.” This term refers to funding as measured against a state’s economic base — or, its ability to generate tax revenues. The two graphics use personal income as a measure of the size of a state’s economic base. This seems to be a reasonable assumption since most states rely heavily on personal income tax for general fund revenues.

The graph on the previous page shows Virginia’s effort as compared to the rest of the U.S. Virginia appropriates \$5.55 (down from 5.99 last year) to the operation of its public higher education system for each \$1,000 of personal income—or \$1.01 below the national mean of \$6.56. This level places the Commonwealth in 38th place (same as last year) out of the 50 states.

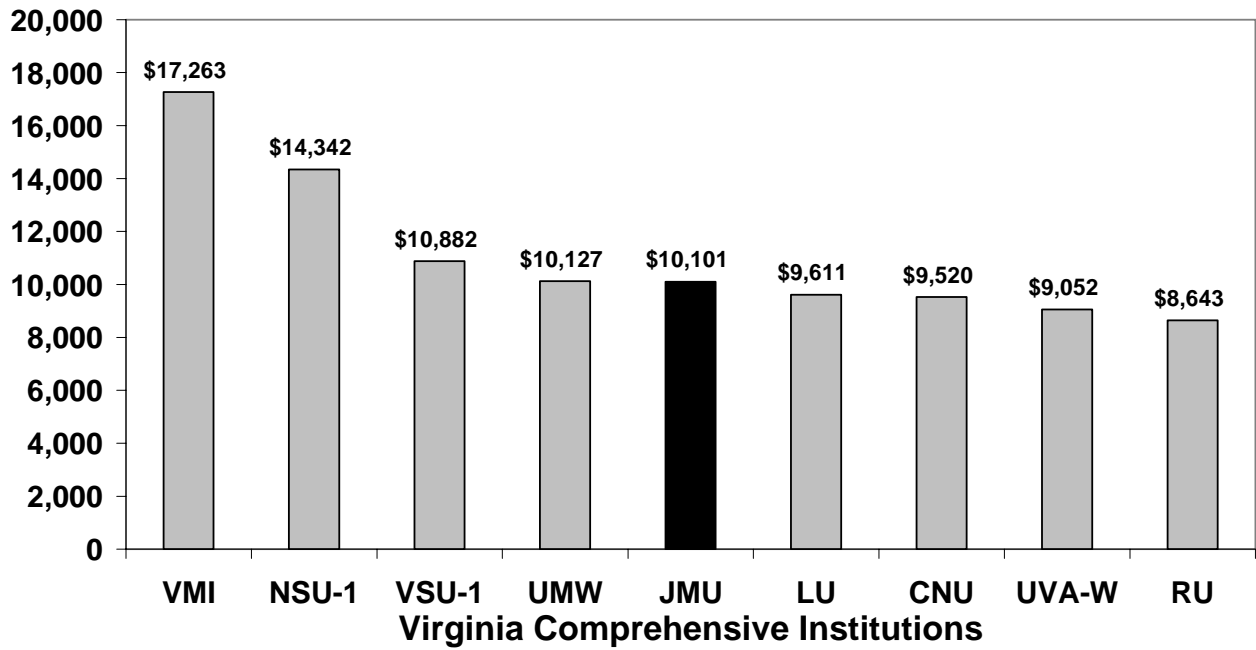
The graph presented below demonstrates the changes in the Commonwealth’s higher education effort since 1965. From a high of appropriating \$10.45 per \$1,000 in income in 1980, Virginia dropped to \$5.55 in FY06. This represents a 47 percent decline since 1980.

Virginia Appropriations of State Tax Funds for Higher Education per \$1,000 of Personal Income



Source: Postsecondary OPPORTUNITY, February 2006

Total E&G Appropriation Per FTE Student 2005-06

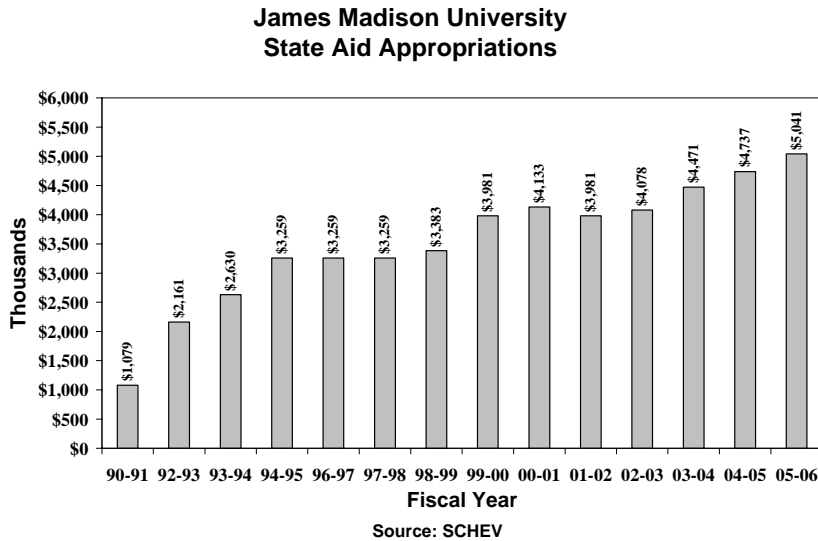


Source: SCHEV

-1 Includes OCR Funding

For 2005-06 JMU's total E&G appropriation per student was 10,101. It was ranked fifth out of the nine comprehensive institutions. In 2004-05 it ranked seventh at \$8,866.

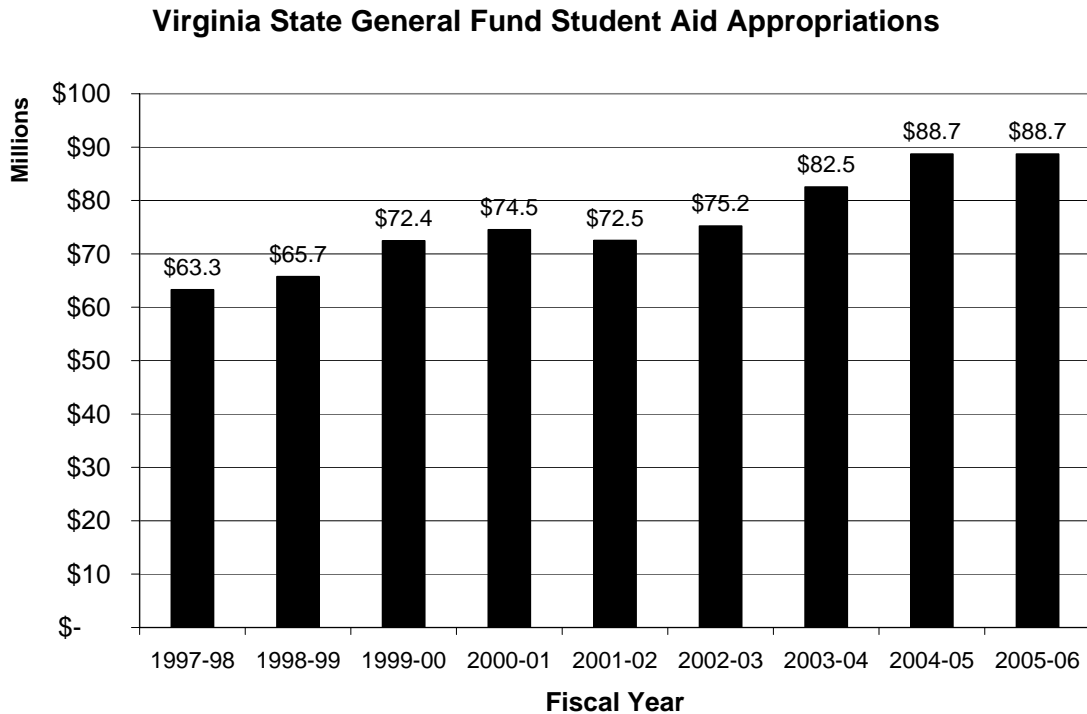
3.4 Financial Aid Appropriations



The Virginia General Assembly became concerned about the impact of the sizable tuition increases that resulted from reduced general fund appropriations for higher education on students' ability to afford a college education. To partially offset the increases in tuition and fees, the Assembly increased financial aid appropriations for public institutions. Between 1990-91 and 2005-06, the financial aid appropriations for JMU

increased by 367 percent.

During the 1996—2002 biennia, the General Assembly also addressed these concerns by providing funding to freeze, and then lower in-state tuition. The 2001-02 appropriations reverted to 1999-00 due to the budget impasse in 2001. In the 2004-06 biennium \$6.2 million in additional funds were allocated to offset the increased tuition for students with financial need.

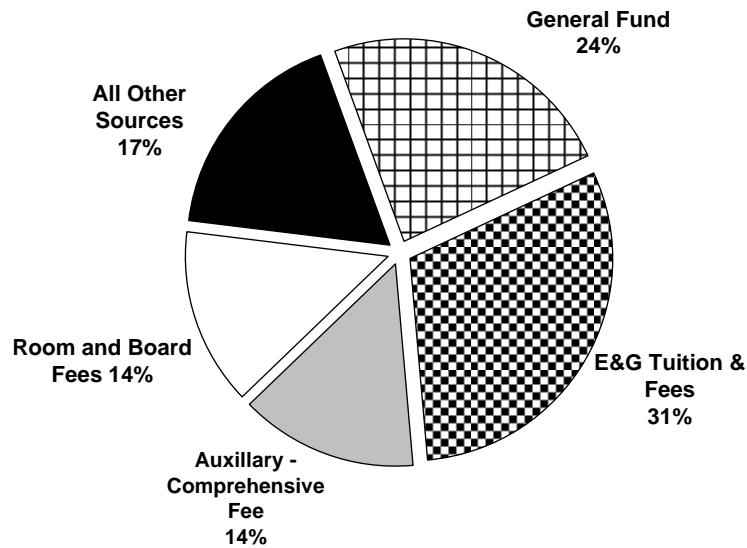


Source: SCHEV

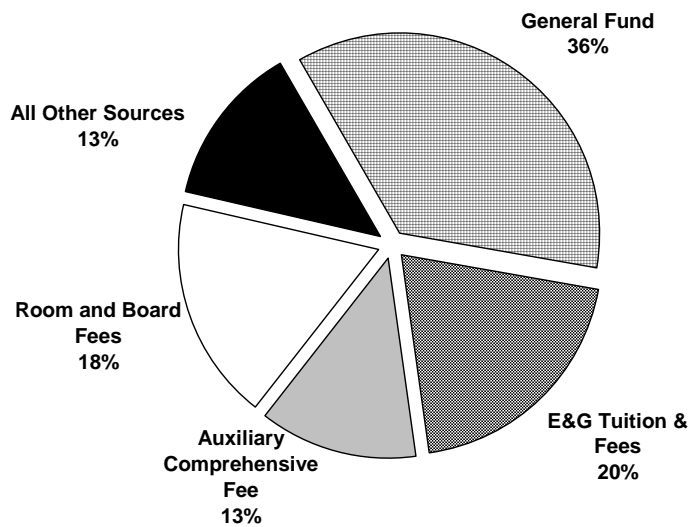
3.5 JMU Total Operating Revenues

General Fund appropriations provided 36 percent of all JMU sources of revenue in 1988-89. During 2004-05, the same source is projected to provide 24 percent of all revenue. Correspondingly, E&G tuition and fees have risen from 20 percent of all revenues to 31 percent over the same period.

Distribution of JMU Total Operating Revenues 2004-05



Distribution of JMU Total Operating Revenues 1988-89



Source: Budget Office