

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 effect of the national recession on state appropriations for public higher education in the South and the subsequent effect of funding declines on tuition. The table on the following page lists E&G budget cuts for FY2002 and FY2003, FY2003 tuition increases for in-state undergraduates, and FY2003 faculty salary raises for the eleven states in the Southern Association of Colleges and Schools (SACS) region. Data were provided by the states' higher education systems or coordinating bodies in December of 2002.

Virginia did not fare well in terms of budget cuts when compared to the other ten Southern states. The Commonwealth had the highest FY2003 average cut and the fourth highest in FY2002. For the current fiscal year, the cuts ranged from none for Alabama, Louisiana and Texas to 16% for Virginia. North Carolina had a 2.8% cut and the remaining states with available data were in the 5% to 10% range. For FY2002, four states had no cuts, one state had a one-time 1% impoundment and the remainder had cuts which ranged from 2% to 9.4% – with most (including Virginia) in the 2% to 4.7% range. Only North Carolina at 9.4% and Mississippi at 8% were over the 4.7% cut reported by Florida.

While all eleven Southern states had some form of tuition increase for FY2003, Virginia apparently reported the highest percentage increase at 11%. Due to the differences in the way the increases were structured and reported, precise comparisons were difficult to make. Three states (including Virginia) reported additional midyear tuition increases.

Along with two other states, Virginia reported no faculty salary increase in FY2003 – although the Commonwealth had a 2.5% one-time bonus. The remaining eight states reported some form of salary increase. Georgia had the highest increase at 3.25%. Several states reported salary increases which varied by institution and were supported entirely by institutional fund sources.

Summary of Higher Education Appropriations Cuts Plus Tuition and Faculty Salary Increases Southern Region

	FY2002 Institutional Budget Cuts (%s)¹	FY2003 Institutional Budget Cuts (%s)¹	Position on Annual Tuition Increases²	Position on Midyear Tuition Increases²	FY2003 Faculty Salary Increases (%s)
Alabama	none	none	8.3% median V 0% to 14.7% range	none up to institution	set by institutions
Florida	4.7% V on average 4.3% to 6.3% range	not available	5% AB	none	2.5%
Georgia	2.5% AB operating plus \$12m capital	approx. 10% AB plus \$25m capital	FY2003 4% to 6% V	none	3.25%
Kentucky	2% AB	not available	no mandate 3.0% to 15.5% range	none	0% to 6% range
Louisiana	none	none	3%	none	none
Mississippi	8% V on average	6% V on average	8% FY2003	allowable, 4% to 5% range	2% midyear
N Carolina	9.4% V on average 3.1% to 13.4% range	2.8% V on average	8% AB plus \$100 to \$300/yr. V	allowable	max. 2% market or equity only (no merit) – inst. funds
S Carolina	none	8.56% AB	limited to HEPI (3.8%) plus \$250/semester	none	0% to 3% V inst. funds
Tennessee	1% AB impoundment (one time)	5% AB	7.5%	not allowable	2%
Texas	none	none	\$44/SCH cap	allowable within \$44/SCR cap	none
Virginia	3% AB 2 institutions 2%	16% V on average 2.7% to 23.9% range	9% max. recommended actual = 11% average 6% to 25% range	allowable, \$170 to \$400/semester range	no salary increase 2.5% bonus

Notes: ¹ V = variable, AB = across-the-board

² In-state undergraduate tuition for FY2003, SCR = semester credit hour