State Fiscal and Policy Climate for Higher Education: 1996

by William Zumeta and John Fawcett-Long

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This chapter surveys the economic, fiscal, and policy climate of higher education on the national level and state-level differences in demographic, political, and fiscal conditions. The fortunes of higher education are closely tied to the economy. Fortunately, recent economic performance suggests a mildly optimistic scenario as of mid-1996 and for the foreseeable future. But this scenerio is likely to be the calm before a serious longer-term disturbance in the environment for higher education.

Our discussion of the national economy includes sections on regional differences and trends. We analyze developments on the state economic and fiscal front, including the implications of the federal budget debates; the standard aggregate indicators show relatively good current financial health across the states. Our discussion of long-term financial concerns emphasizes the proposed devolution of costly federal responsibilities to the states and the disturbing growth of other large, "mandated" state functions that have recently outcompeted "discretionary" higher education for shares of the state budget. These two issues are closely related—most devolution schemes would give states more decision-making authority and more fiscal responsibility for expensive, fast-growing health and social service programs.

State funding for higher education in FY 1996 showed mixed tendencies. Support slightly outpaced the inflation rate for the last several years, but few states made up the fiscal ground lost during the severe retrenchment of the early 1990s. Most systems are therefore poorly positioned to respond to the dramatic growth in demand for access to higher education expected during the next decade. The pricing of higher education climbed sharply as states and institutions sought to replace revenue from state appropriations with higher tuition and fees. Tuition growth rates slowed in the last two years as the economy and state treasuries stabilized, but remained about twice the rate of inflation and well above the growth in family incomes. State and federal student aid lagged behind these increases, raising serious questions about future institutional enrollment capacity and student access, especially for lower-income and minority students.

This chapter ends by analyzing implications of the continuing fiscal and related pressures on higher education. The good news is that society will continue to demand the services of higher education. We may be squeezed but, unlike some other public services, we are unlikely to starve.

NATIONAL ECONOMIC DEVELOPMENTS

The national economy slowed to a "soft landing" in 1995, avoiding a recession. Gross Domestic Product (GDP) increased 2.7 percent—a reasonably healthy growth rate after inflation, but a decline from 3.5 percent in 1994. The Federal Reserve Board raised interest rates in 1994 and early 1995, helping to stabilize economic growth, and then reduced short-term rates a cautious quarter of a percentage point three times between July 1995 and January 1996. Rates then went untouched through June 1996, and few observers predicted an increase before the fall 1996 election.[1] The Consumer Price Index (CPI) continued its docile behavior of recent years, increasing 2.8 percent in the 12 months ending in March 1996.[2] Many economists forecasted continued modest economic growth, relatively low inflation, and a stable unemployment rate through 1996.[3]

In early 1996, the Clinton Administration, the Congressional Budget Office (CBO), and *Blue Chip Economic Indicators*, a respected business economics publication, forecasted GDP growth rates ranging from 2.0 to 2.2 percent in 1996 and from 2.0 to 2.3 percent in 1997.[4] These forecasts were somewhat lower than the performance of the past two years and were modest by the standards of postwar economic expansion periods. On the positive side, the recovery from the 1990-91 recession was, by mid-1996, one of the longest in postwar history. The three forecasters expected approximately 3 percent growth in the CPI for 1996 and 1997.[5] Not all economists were optimistic. In early 1996, two groups of economists saw a recession possibly beginning by year's end, with the prospects rising for 1997 and 1998.[6]

Fourth quarter exports grew by 11 percent, and gained 8.3 percent for all of 1995.[7] Economists forecasted exports to show annual real increases of 6 to 8 percent through the decade and expected investments in information technologies to lead the economic expansion in 1996.[8] Consumer spending led a first quarter 1996 GDP growth rate of 2.3 percent by increasing at an annual rate of 3.5 percent; the 2.5 percent (annualized) inflation rate for the quarter confirmed earlier forecasts.[9] Stock prices rose sharply—the Standard and Poor's 500-stock index increased about 33 percent in 1995.[10]

The unemployment rate in 1995 and early 1996 ranged from 5.4 percent in February 1995 to 5.8 percent in January 1996,[11] easing to 5.6 percent in May and to 5.1 percent in August.[12] The forecasters predicted 6 percent or lower unemployment rates for the foreseeable future. The Plains (3.3 percent) and Rocky Mountain (3.8 percent) regions had the lowest unemployment rates as of December 1995; the Far West (7.1 percent), Mid-Atlantic (6.1 percent), and Southwest (5.8 percent) regions had the highest rates.[13] The economy created approximately 200,000 jobs per month through the first five months of 1996, after an average monthly increase of 144,000 in 1995.[14] A strong service sector carried the economy. Between March and December 1995, nongovernmental service jobs increased by 1.1 million, while the manufacturing sector *lost* 202,000 jobs.[15]

Aggregate economic growth was steady, but substantial numbers of corporate layoffs continued.[16] These layoffs affected white-collar professionals as much as blue-collar workers for the first time in U.S. postwar history.[17] Wages continued their sluggish growth, but the more educated fared substantially better than workers lacking postsecondary credentials.[18] Overall, wages and benefits rose only 2.9 percent in 1995—just barely above inflation and the smallest gain in 14 years.[19] Thus, the economy churned along fairly well in an aggregate sense and stock market investors profited handsomely, but many workers did not share in the prosperity.

In late 1995 and early 1996, battles between the Republican-led Congress and the Clinton Administration over the "Contract with America" and the federal budget, especially health care spending and tax cuts, produced two government shutdowns. Congress and the President agreed in principle to balance the budget by 2002, but made little progress on the specifics. Many economists felt that credible movement toward a balanced budget could have substantial economic impacts, though not all positive.[20] In any case, only in April 1996, more than six months after the statutory deadline, did the two sides come to even a patchwork agreement on the FY 1996 budget. Few observers predicted enactment of a permanent plan before the November 1996 elections.[21] Congressional focus on cutting social programs and higher education funding could wane somewhat in 1997, in the new 105th Congress. But most analysts see economic benefit from an end to gridlock and uncertainty over tax and budget policy, whatever the policy choices made.

REGIONAL PATTERNS[22]

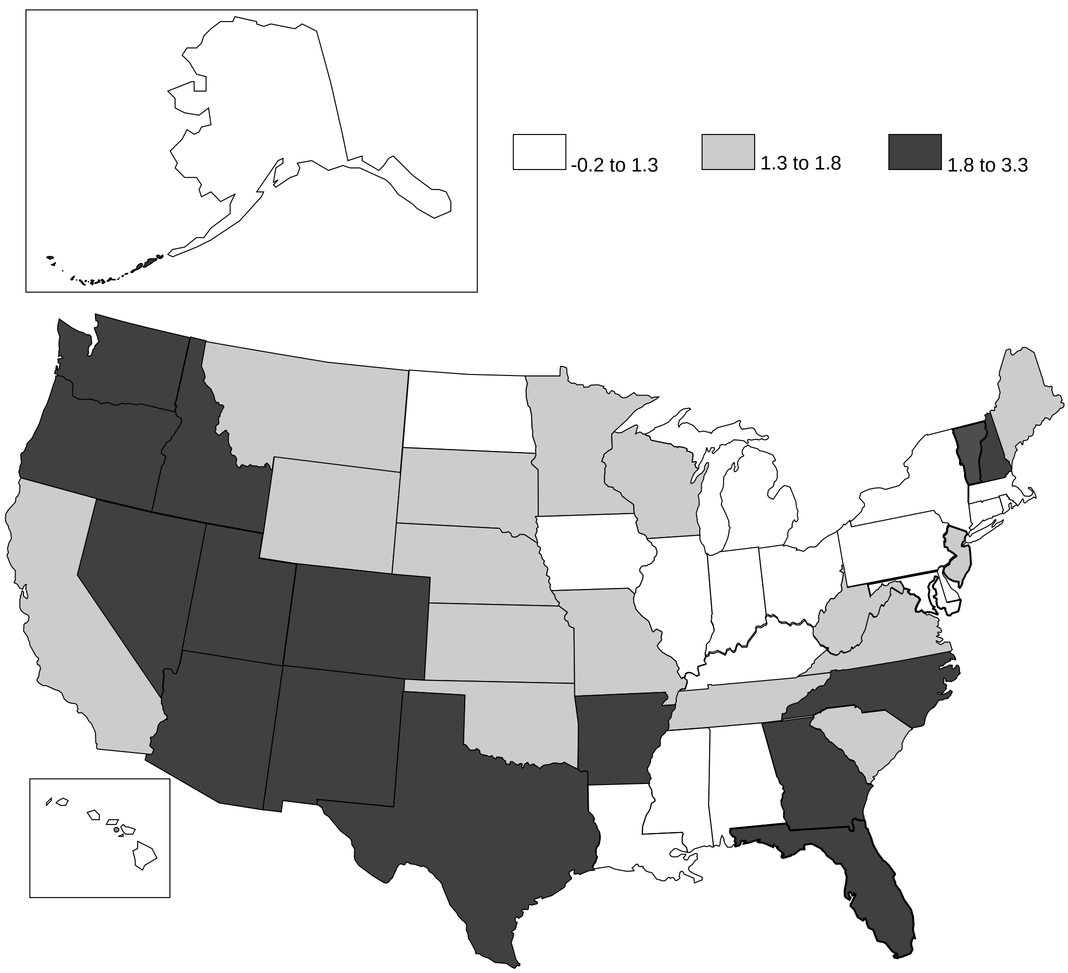
Economists expected the largest employment growth between the fourth quarters of 1995 and 1997 to occur in the Southwest, the Pacific Northwest, and in Georgia and Florida. These economists expected the eastern Midwest, the industrial Northeast, and Alabama, Louisiana, and Mississippi to show the slowest regional employment growth (Figure 1). These forecasts resembled recent patterns, though the three Southeastern states showed a notable downslide, while the Pacific Northwest was on the upswing.

The South—now the country's most popu-

FIGURE 1

WESTERN STATES WILL ACHIEVE THE STRONGEST EMPLOYMENT GROWTH

(ANNUAL PERCENT CHANGE, 1995:4 TO 1997:4



SOURCE: Johnson et al., 1996.

lous region—features mild winters, low taxes, cheap energy, and low business and housing costs. Since the end of the 1991 recession, the South consistently led other regions in job growth, the service sector accounting for half the new jobs.[23] Some states showed gains in manufacturing employment: Tennessee and Kentucky (automobiles) and Texas (semiconductors), for example. Construction and exports showed strength. Preparations for the 1996 Olympics in Atlanta aided tourism.[24] Economists expected weaker performances from states that depended on declining industries such as textiles and apparel (Alabama, Kentucky, Louisiana, Mississippi, and West Virginia), or on the overexpanded gaming industry (Louisiana and Mississippi).

Observers expected only modest growth in the Midwest in 1996, with losses from heavy rainfall and flooding early in the year offsetting gains from higher agricultural commodity prices. The region's large industrial base was expected to generate its lowest increase in payroll totals since recessionary 1991; worker strikes affected several industries.[25] Illinois, Indiana, and Wisconsin were expected to benefit the most from service sector growth.

The Western region contained the top five states in job growth in 1995: Nevada, 6.2 percent; Utah, 5.6 percent; New Mexico, 5.1 percent; Oregon, 4.3 percent, and Arizona, 4.0 percent. Economists expected seven of the 10 states with the fastest rates of job growth between the fourth quarters of 1995 and 1997 to be in the West.[26] The West South Central states continued to show the nation's lowest unemployment rates—under 3 percent in three states, and under 4 percent in the other four. The Pacific Southwest and the West South Central states led the nation in export growth. Their 18 percent gains helped to fuel robust employment expansion. The Pacific Southwest benefited most from high-technology exports; semiconductor exports soared 35 percent in 1995.[27]

California's economy rebounded from the recession of the early 1990s. The state was expected to have recovered the 520,000 jobs lost between 1990 and 1993 by early 1996.[28] Job growth increased from a dismal 0.9 percent in 1994 to 2.3 percent in 1995.[29] So-called "21st century" industries—high technology, professional services, and foreign trade and entertainment—led the state's recovery, providing high-paying jobs and "cushioning the blow from the peso's devaluation."[30] But an 8 percent unemployment rate, about 2 percent above the national figure, tarnished California's shining recent performance. Fears persisted that the state—fiscally limited by ballot initiatives (beginning with Proposition 13 in 1978), the end of the state's inheritance tax, and the permanent indexing of income tax brackets—has underinvested in its infrastructure, including schools, universities, roads, and rapid transit.[31] Also, California's sales tax, an important revenue generator, does not apply to the growing services and financial transactions sectors.[32] "California ranks in the top third in terms of public expenditures per student in higher education," notes one analyst, "but only 35th in expenditures per K-12 student, and 42nd in terms of these expenditures as a portion of state wealth."[33] Similar low rankings in other areas give credence to the idea that a two-tiered society is emerging in the giant "Golden State," with the "have-nots" dependent on government services faring poorly.[34]

Aircraft and high-tech exports were "a significant part of the economic success story in many western states."[35] Between 1990 and 1995, exports from Arizona, Colorado, Idaho, Oregon, and Utah doubled, while California and New Mexico's increased by two-thirds.[36] The Pacific Northwest stood to benefit from a growing backlog of aircraft export orders.[37] Washington also benefited from exports of software (especially by Microsoft) and biotechnology and agricultural products. Economists expected Oregon to continue to lead the states in job growth, fueled by high-tech gains;[38] they also expected strong showings in Nevada and Utah. The Pacific Southwest continued to lead the regions in job growth, but the boom slowed in Arizona, Colorado, and Nevada. Continuing weakness in the tourism industry caused Hawaii's last-place performance in the West; Alaska and Montana were also expected to perform poorly.[39]

The economic performance of the Northeast improved in 1995. The region has recovered 61 percent of the jobs lost in the recent recession; Maine, New Hampshire, Pennsylvania, and Vermont showed full job recovery.[40] New York, New Jersey, and Pennsylvania, facing continuing losses of manufacturing and defense-related jobs, were expected to experience sluggish employment growth.[41] Gains in services and manufacturing led to a 2.4 percent employment increase in Massachusetts in 1995, but mergers in the banking and insurance industries brought predictions of layoffs in 1996 and 1997.[42]

"[S]luggish population gains, uncompetitive business costs and consolidations in financial services, utilities, and defense-related manufacturing" led analysts to predict below-average economic performance in the Northeast.[43] Economists forecasted only two Northeastern states, New Hampshire and Vermont, to outpace the U.S. job growth rate between 1995 and 2000; they expected Connecticut, New York, Pennsylvania, and Rhode Island to rank among the bottom five states.[44] Most economists predicted the Northeast to suffer the worst effects of deregulation of the banking and telecommunications industries and cuts in Medicare and Medicaid.[45]

FEDERAL BUDGET OUTLOOK AND IMPACTS

A balanced federal budget by 2002, according to one forecast, meant the greatest job gains for the East North Central and West South Central regions, followed by the East South Central region.[46] These regions, with high concentrations of manufacturing industries, should prosper from increased private investment and exports that may result from a balanced budget. The Middle Atlantic and Pacific Southwest regions would lose the most jobs, followed by the South Atlantic, Pacific Northwest, and New England regions. These coastal regions depend more heavily on federal jobs, health-care programs, and defense spending.[47] Economists expected a balanced budget to contribute a 0.5 percent annual increase in the GDP between 2001 and 2005 and a 0.8 percent increase in 2005,[48] after some initial growth-retarding effects.[49]

The FY 1996 federal budget, finally completed in late April 1996, reduced discretionary domestic appropriations by 9.1 percent. But the budget contained no significant reductions in Medicare, Medicaid, or welfare, despite intense disputes over the nature and size of these large, formula-driven entitlement programs. In June 1996, the Republican majority in Congress renewed its commitment to a balanced budget by 2002 by passing prospective budget guidelines, almost entirely along partisan lines. The guidelines recommended saving $700 billion from projected spending in the next five years, with most cuts coming from domestic programs, including Medicare, Medicaid, and welfare.[50] These guidelines were not law and did not require the President's signature, so this action postponed resolution of the deep philosophical differences between the parties until after the November 1996 elections.

The states, confronted by an extended limbo that made fiscal and programmatic planning problematic, postponed major changes to many services. But the FY 1996 budget cuts affected state finances, while directly reducing higher education spending through the federal student aid and research programs.[51] Barring a major political shift, the states and higher education faced years of budget stringency in Washington.

STATE FISCAL CONDITIONS AND TRENDS

State fiscal conditions improved considerably in FY 1996, but an anticipated mild economic slowdown, tax cuts, expenditure limitations, and reduced federal aid to the states may decrease state revenue growth in FY 1997.

Estimates for the aggregate (all states) year-end fund balance—general fund plus "rainy-day" fund balances at the end of the fiscal year as a percentage of general fund expenditures—were a healthy 5.1 percent for FY 1996 and 4.8 percent for FY 1997.[52] This indicator of the fiscal health of the states was just 1.1 percent in 1991, and 1.8 percent in 1992.[53] Annual aggregate year-end fund balances totalled more than 4 percent each year since 1992; the 5.9 percent figure for FY 1995 was the highest balance since 1980 (Table 1). In FY 1995, state legislative fiscal officers reported general fund revenue collections at least 1 percent above target in 21 states—mostly in the West, the Plains, and the Southeast—and in Puerto Rico.[54] California showed the largest boost to state coffers. That state had projected a deficit of over $1 billion in FY 1995, but, a stronger-than-anticipated economy led to a final deficit of $300 million.[55]

More than a dozen states have bolstered and secured their rainy day accounts since the recession of the early 1990s.[56] Eight states put

TABLE 1

TOTAL YEAR-END BALANCES, FY 1979 TO FY 1997

Fiscal Year	Total Balance (Billions)	Total Balance (Percent of Expenditures)
1997	$18.0*	4.8%
1996	18.7	5.1
1995	20.8	5.9
1994	16.9	5.1
1993	13.0	4.2
1992	5.3	1.8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

** Figures for FY 1996 are estimates, and figures for FY 1997 are recommendations.*

SOURCE: National Association of State Budget Officers, 1996.

budget stabilization measures into their state constitutions, restricting the expenditure of such funds to carefully defined fiscal emergencies.[57] Several states, anticipating a severe shortfall in federal funding, sequestered money.[58] These measures, of course, restrict a state's capacity to meet immediate needs.

State aggregate general fund spending increased 6.3 percent in FY 1995 and was expected to grow by 4.5 percent in FY 1996. The budget proposals submitted to legislatures by the governors in early 1996 included only a 1.8 percent increase for FY 1997.[59] Annual general fund spending increases averaged 8 percent during the 1980s (Table 2).[60] After passing their FY 1996 budgets, 11 states enacted midyear cuts totaling $859 million, or less than 1 percent of state general fund budgets.[61] "This compares with eight states [who had to make midyear cuts] in FY 1995; nine states in FY 1994; 22 states in FY 1993; and 35 states in FY 1992, the peak year in midyear budget adjustments."[62]

TABLE 2

STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, FY 1979 TO FY 1997

	State General Fund	
Fiscal Year	Nominal Increase	Real Increase
1997	1.8%*	-0.8%*
1996	4.5*	1.9*
1995	6.3	3.2
1994	5.0	2.3
1993	3.3	0.6
1992	5.1	1.9
1991	4.5	0.7
1990	6.4	2.1
1989	8.7	4.3
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-1997 average	6.7%	1.7%
1980-1990 average	8.0%	2.0%

** FY 1996 figures are based on the change from FY 1995 actuals to FY 1996 estimated. FY 1997 figures are based on the change from FY 1996 estimated to FY 1997 recommended.*

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes.

SOURCE: National Association of State Budget Officers, 1996.

Many states recalled the painful recession by showing fiscal conservatism, especially in their revenue forecasts, despite the better economic performance of recent years. Four states expected a decrease in general fund appropriations between FY 1995 and FY 1996; 18 states expected a modest zero-to-4.9 percent increase in appropriations. For FY 1997, the governors of 11 states recommended reduced spending, and the governors of 27 states called for only a zero-to-4.9 percent growth rate.[63] These conservative spending recommendations, despite relatively favorable economic conditions, reflect the effects of the Republican takeover of many statehouses and legislatures in 1994.

Changes in tax policies reflected these philosophical changes—30 states enacted tax reductions in 1995. State tax cuts were expected to reduce revenues—relative to what tax and revenue policies under prior law would have collected—for the third consecutive year, by $4.0 billion in FY 1997. Prior reductions were $3.8 billion in FY 1996 and $2.6 billion in FY 1995. Revenues had not declined for *two* consecutive years since 1979 and 1980, when states last cut taxes significantly during a period of prosperity.[64] Decreased personal income tax rates accounted for most revenue reductions.[65] Nineteen states enacted personal income tax decreases in FY 1996 (three states enacted slight increases); the largest reductions came in New York ($1.85 billion), California ($457 million), Massachusetts ($133 million), Ohio ($69 million), Indiana ($60 million), and Arizona ($50 million).[66] New York ($319 million) and California ($110 million) enacted relatively large business tax decreases.[67] Georgia ($175 million) and Missouri ($150 million) enacted sizable sales tax decreases.

Despite these cuts and a lot of accompanying rhetoric, noted one analyst, no state enacted what he considered a large permanent reduction in state taxes.[68] "Only four states," he added, "reduced their highest marginal income tax rate."[69] The tax cut trend resembled prior responses to economic upturns; states, he contended, usually spend part of the potential revenue "bonus" from prolonged economic growth on tax cuts.[70] But concern about the location and size of looming federal budget cuts led state officials to adopt relatively cautious measures. Also, several states studied the impact of potential federal cuts;[71] a few actually set money aside.

Increased aid to local governments also continued to strain state budgets. States enacted property tax relief, helped to reduce fiscal disparities across school districts, and increased state support to local governments.[72] States commonly increase such aid during periods of prosperity, but the subsidies may prove difficult to sustain if federal aid is cut—just when local governments will most need help.

LONG-TERM FINANCIAL CONCERNS

The states, notes a recent survey, will continue to strive for efficiency and effectiveness as a way of reconciling increased responsibilities with decreased federal support during a period of "uneven economies and public skepticism about government services."[73] Legal limitations on tax or spending capacity in 20 states further heighten the desire for efficiency.[74] States have eliminated or merged functions or departments, privatized services, instituted quality management and performance-based pay systems, and used governors' commissions to review state operations. For higher education, this climate implies continued close scrutiny of "performance" and costs.

"Devolution": Implications for the States

The Republican-controlled 104th Congress pressed several bills that sought to "devolve" current federal or joint federal-state entitlement and discretionary programs into block grants to the states, accompanied by fewer mandates. The Congressional leadership linked devolution to the budget debate by proposing substantial reductions in federal spending for these programs.[75] Targeted programs included Medicaid, Aid to Families with Dependent Children (AFDC), school lunches, food stamps and other nutrition and social services programs, and job training. In August 1996, Congress passed, and President Clinton signed, far-reaching welfare reform legislation. The President and Congress also came near to agreement on a job training block grant. This legislation combined more than 100 federal programs while reducing total annual federal spending by about 20 percent, but the parties could not seal the deal.[76] President Clinton had earlier vetoed drastic Medicaid reform legislation.[77] Congress and the President took no final action to devolve authority or dramatically reduce federal contributions in any other federal or state partnership program as of mid-1996, and no action seemed likely until after the election.

The 1995-96 budget debate centered on changing the federal role in domestic programs. President Clinton, in his 1996 State of the Union address, acknowledged that “the era of big government is over,” and that some long-term budget-tightening and decentralization of control over federal and state programs was likely.

Transforming entitlement programs into block grants, though, meant the states would have to pick up the tab, that is, cut benefit levels or change eligibility criteria, should a recession or a demographic shift increase the numbers of recipients beyond projected levels.[78] Creating block grants from previous entitlement programs, argued one observer, would lead to “a race to the bottom”[79] as states, no longer rewarded with federal matching funds for dollars spent, sought to reduce their tax burdens.[80]

But attributing less compassion to the states than to the federal government in providing for the needy, argued another analyst, was based on outdated stereotypes.[81] A “tiny rural oligarchy” no longer dominates any state legislature, and the one-person, one-vote decision has enabled many groups to gain broader representation. Still, significant wealth and philosophical differences remain among the states. Under devolution, these factors would likely widen benefit differences, while lowering most benefit levels. Even under the pre-reform federal-state AFDC funding arrangements, the level of welfare benefits for a family of four varied from $660 a month in New York to $220 a month in Mississippi, a factor of three.[82]

In late 1995, Congress, in its budget reconciliation bill, attempted to balance the budget by 2002 by replacing several entitlement programs with block grants, but President Clinton vetoed this legislation. The bill provided for significant reductions in federal funding, but it increased state discretion. Federal Medicaid and non-Medicaid mandatory program spending would have been 28 percent and 7.4 percent lower, respectively, in 2002 than projected under current law.[83] Total cuts in federal grants to state and local governments, relative to current-law projections, would have reached $95 billion in FY 2002—a nationwide per capita decline of $425.[84] Louisiana ($880), West Virginia ($682), and New York ($666) would have sustained the largest estimated cuts, thereby creating substantial pressure for states to replace these lost funds.[85]

Finally, devolution may lead to a sharp increase in lawsuits against state and local governments. Until now most suits regarding the adequate and fair provision of services have been directed at the federal government.[86] A recent study identified 3,500 legal opinions on federal cases affecting state, local, or tribal governments in 1994 alone, involving at least 100 federal laws.[87] This potential litigation onslaught may lead to legally conservative approaches by states to implementing programs under the new federalism.

Trends in State Finances

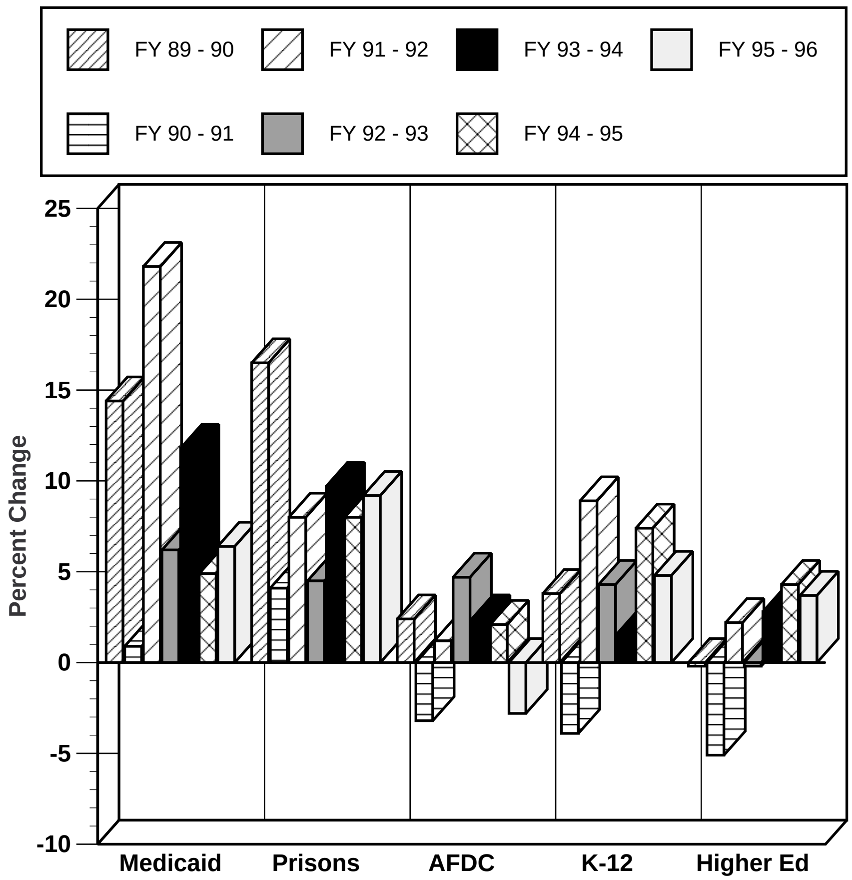
Three major state general fund categories—Medicaid, corrections, and K-12 education—received greater appropriations increases in FY 1996 than the 3.7 percent aggregate increase in higher education funding (Figure 2). Corrections—about 6 percent of the state general fund budget nationwide—was the fastest growing category: a 9.2 percent increase in FY 1996 followed increases of 8 percent in FY 1995 and 9.7 percent in FY 1994. State spending on Medicaid—14 percent of all general fund expenditures—increased 6.4 percent in FY 1996. Prior annual increases ranged from 5 percent to nearly 22 percent between FY 1991 and FY 1995. K-12 education expenditures—31 percent of total spending, by far the largest general fund category—increased by 4.8 percent in FY 1996. Aid to Families with Dependent Children (AFDC), usually the slowest growing category in recent welfare-bashing years, posted a 2.8 percent *decrease* in FY 1996—the only function among the top five to fare worse than higher education.

An analysis of recent funding trends follows:

Medicaid—The size and growth of this program and the prospect of many more aged and costly clients on the rolls made Medicaid the biggest fiscal concern of the states. The protracted federal budget negotiations also focused on Medicaid. Republicans sought to link the program to welfare reform and to end the entitlement, but President Clinton resisted the linkage.[88] An agreement between Congress and the White House appeared unlikely before

FIGURE 2

ANNUAL CHANGES IN MAJOR EXPENDITURE CATEGORIES FROM STATE GENERAL FUNDS FY1990 TO FY1996



SOURCE: Mortenson, 1996a.

the post-election Congress meets in 1997. State officials delayed proposing their own reforms until changes to federal regulations and spending are enacted.[89]

In FY 1993, Medicaid surpassed higher education as the second largest state general fund expenditure category, after K-12 education. Only three years later, Medicaid's 14 percent of state general fund appropriations for FY 1996 was well above higher education's 11.9 percent share. The share of total state spending devoted to Medicaid increased in all but six states between 1990 and 1994.[90] Removing Medicaid spending reductions in California (-4.5 percent) and New York (-3.6 percent)—32 percent of all state Medicaid expenditures—from the national calculation raises the aggregate state spending increase for Medicaid in FY 1996 from 6.4 percent to a more worrisome 8.0 percent.[91]

The dramatic increases in Medicaid spending seen in the early 1990s, many analysts concluded, were unlikely to continue. States have absorbed federally mandated increases in the number of recipients, the recession has ended, the federal government has clamped down on state "tax-and-match" operations[92] to increase their Medicaid funding, and about 40 states have enacted managed care provisions to reduce costs.[93] Eliminating federal matching requirements, these observers argued, would likely further discourage states from Medicaid spending.[94] But others expected continued inflation in the cost of health care, the aging of the population, and the likely slowdown in federal spending growth for the program to result in continued expansion of state expenditures. Previous Medicaid spending forecasts, these analysts added, tended to underestimate actual spending. Medicaid, they concluded, will continue to consume more of the state budget; at issue is the rapidity of growth.

Corrections—This smaller but even faster-growing spending category showed average annual increases of over 9 percent over the last seven years, growing by 9.2 percent in FY 1996.[95] Only 10 states held FY 1996 increases for corrections below the projected 3.3 percent inflation rate, and 28 states increased their appropriations by at least twice this rate.[96] The war on drugs, "three strikes" laws, and other determinate sentencing provisions increased the prison population; one study estimates a 30 percent increase between 1995 and 2000.[97] The crime-prone young adult (15-24) age group is expected to grow significantly in the coming years. The number of juveniles (ages 10-17) arrested rose nearly 66 percent between 1986 and 1994, while the rate of arrests for the adult population remained fairly steady.[98] The number of homicides committed by juveniles tripled between 1984 and 1994 and is expected to increase another 25 percent by 2005.[99]

The American public generally supports stricter sentencing. But it is suggestive that support for sending offenders to prison dropped from 57 percent to 38 percent in Manchester, England, after respondents received more information on the causes of crime, the costs of prisons, and on alternative punishments.[100] States explored ways of improving the efficiency of corrections services, including alternative punishments for nonviolent offenders, and education and treatment programs in local jails for adolescents tried as adults.[101] Increased media coverage of crime—it has more than tripled since the early 1990s, according to the Center for Media and Public Affairs—has been linked with the dramatic rise in survey respondents stating that crime is the most important national problem. In a 1994 survey, 37 percent of the respondents said crime was the most important problem.[102] Yet the number of felonies has decreased dramatically in recent years. Black males were incarcerated in increasing numbers—678,000 were behind bars in 1994 at a $10 billion annual cost, by one estimate. Only 550,000 Black males were enrolled in higher education in that year at an estimated annual cost of $2.8 billion.[103]

Aid to Families with Dependent Children. Falling unemployment rates, healthier state economies, and stricter eligibility standards accounted for the 2.8 percent decrease in state FY 1996 AFDC spending.[104] AFDC spending declined in 27 states, and remained constant in five others.[105] Proposed FY 1997 budgets in 44 states recommended maintaining 1996 AFDC benefit levels.[106] Indeed, total state spending allocated to AFDC only increased from 2.5 percent to 2.8 percent from 1990 to 1994, though caseloads increased 27.5 percent during that recessionary period.[107] Few states increased benefits to match the inflation rate in recent years.[108] AFDC recipients and their advocates lacked the resources and political clout to fend off conservative attacks and increasing public and legislative disfavor with this program.

Federal reform rhetoric and actions reinforced this trend. The Clinton Administration pledged to process within 30 days waivers requested by the states to address the rules governing the program.[109] Nearly 40 states received such waivers. Support for increased state discretion in running welfare programs from President Clinton (pledging in 1992 to "end welfare as we know it") and from Republican Presidential nominee Bob Dole led to passage of a comprehensive election-year welfare reform act, signed into law in August 1996, that withdraws guaranteed federal support linked to the caseload.[110]

"Welfare reform" remained a rallying cry among the public and state elected officials, but the dearth of attractive job opportunities for the low-skilled and the cost of effective training programs and needed ancillary services limits the potential dollar savings.[111] An economic downturn would likely increase the welfare rolls despite reform measures, thereby again increasing financial burdens on the states.

Elementary and secondary education. Spending on primary and secondary education (K-12), the largest state general fund category—over 30 percent of total spending—increased 4.8 percent in FY 1996.[112] Between 1990 and

1994, the share of total state general fund spending going to K-12 programs increased in 31 states and decreased in 17 states.[113] Public school enrollment in primary and secondary schools increased 6.9 percent between 1990 and 1994, but increased Medicaid and corrections spending forced a slower per pupil spending rate increase than at any time since World War II.[114] Still, total spending grew at a considerable pace (Figure 2). The increased demand on the K-12 system is expected to continue—a 9.2 percent increase in public school enrollment from 1994 to 2000, with much larger increases in some states, by one estimate (Figure 5). The Southwestern and Rocky Mountain regions should face the most rapid increases.[115]

STATE FUNDING OF HIGHER EDUCATION

State funding for higher education (excluding local funds and tuition revenues) increased by 3.7 percent in FY 1996, the third consecutive yearly increase after three consecutive decreases (Figure 2). Higher education's share of state general fund spending, $42.2 billion in FY 1996,[116] increased slightly from 11.7 percent to 11.9 percent, the first increase since FY 1989 when this share was 14.0 percent.[117] The economic upturn boosted state revenues, thereby easing competition from Medicaid and corrections.[118]

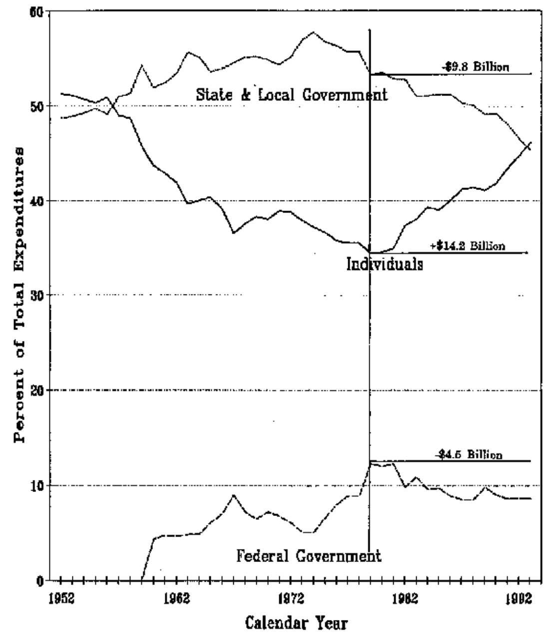
The longer-term picture is much less favorable. Higher education's share of state *and local* government expenditures declined steadily from a high of 8.15 percent in 1982 to 6.37 percent in 1992, the lowest share since 1964 (Figure 3).[119] "As a proportion of all funding," noted one analyst,

> the state and local government share [compared to individual and Federal Government shares of all higher education funding] grew from about 49 percent in the early 1950s to a peak of 57.7 percent in 1974, and has declined ever since. By 1993 it had dropped to 45.3 percent of all higher education funding, the smallest share at any point in the 42 years of National Income and Product Accounts data.[120]

Another analyst confirms the trend toward declining state and local support. State and local government "tax wealth" (a measure of fiscal capacity) increased 13.7 percent in constant dollars from 1978 to 1994, according to this analyst. But appropriations to public higher education declined over the same period by 10.8 percent.[121] Similarly, real state and local appropriations per full-time equivalent public higher education student peaked in 1987 and then declined steadily until a slight increase in 1994.[122]

FIGURE 3

SHARES OF RESPONSIBILITIES FOR FINANCING HIGHER EDUCATION,1952 TO 1993, AND CHANGE BETWEEN 1979 AND 1993



SOURCE: Mortenson, 1995a.

FY 1996 saw increased funding for higher education in 43 states; the increases exceeded 10 percent in Georgia, Texas, and Nevada.[123] Arkansas ($214 million in general obligation bonds), Mississippi ($20 million for need-based tuition assistance and scholastic achievement awards), and Washington ($55 million for expanding enrollment and financial aid) also showed fairly large gains.[124] FY 1996 higher education spending was expected to exceed the inflation rate in 25 states, and to grow by more than twice that rate in nine states.[125] But seven states—Arkansas, Kansas, Minnesota, New Hampshire, New York, Oregon, and Wisconsin—cut higher education spending (calculated using all appropriated funds, not only general fund spending). The largest cuts came in Kansas and Oregon—with large one-time structural changes—and in New York.[126] Using the all appropriated funds calculation, states in the Southwest region increased spending on higher education the most at 8.2 percent, followed by the Great Lakes (6.5 percent) and Rocky Mountains (5.3 percent). The smallest increases occurred in the Middle Atlantic (0.6 percent) and Plains (1.2 percent) regions.

In early 1996, New York Governor George Pataki proposed sizable cuts to FY 1997 state funding of the State University of New York (4.5 percent) and the City University of New York (4.3 percent) systems.[127] New York was the only "megastate"[128] to reduce higher education expenditures in FY 1996, with a 9 percent cut. In contrast, Proposition 203, passed by the citizens of California, allocated $3 billion for education construction projects including $975 million for higher education.[129] Georgia (9 percent), New Jersey (9 percent), Florida (8 percent) and Ohio (7 percent) showed the largest FY 1996 increases in total state funding for higher education among the megastates.

The 1995 Republican state-level "takeover," notes one observer, meant increased attention to belt-tightening, productivity, and accountability in higher education.[130] Republican dominance should also produce more conservative public college boards of trustees that may aggressively address program issues, while decreasing funding per student by accommodating future enrollment growth with only modest funding increases.[131] About 68 percent of surveyed Republican (but only 33 percent of the Democratic) first-year state education / higher education legislative committee chairs, notes a recent NEA report, felt the current level of higher education funding was adequate.[132] Similarly, 54 percent of the Republican chairs (but just 29 percent of the Democratic chairs) believed in increased reliance on independent colleges and universities. Neither Republicans (20 percent) nor Democrats (7 percent) offered much support for new campus construction, despite strong enrollment pressures in many states.

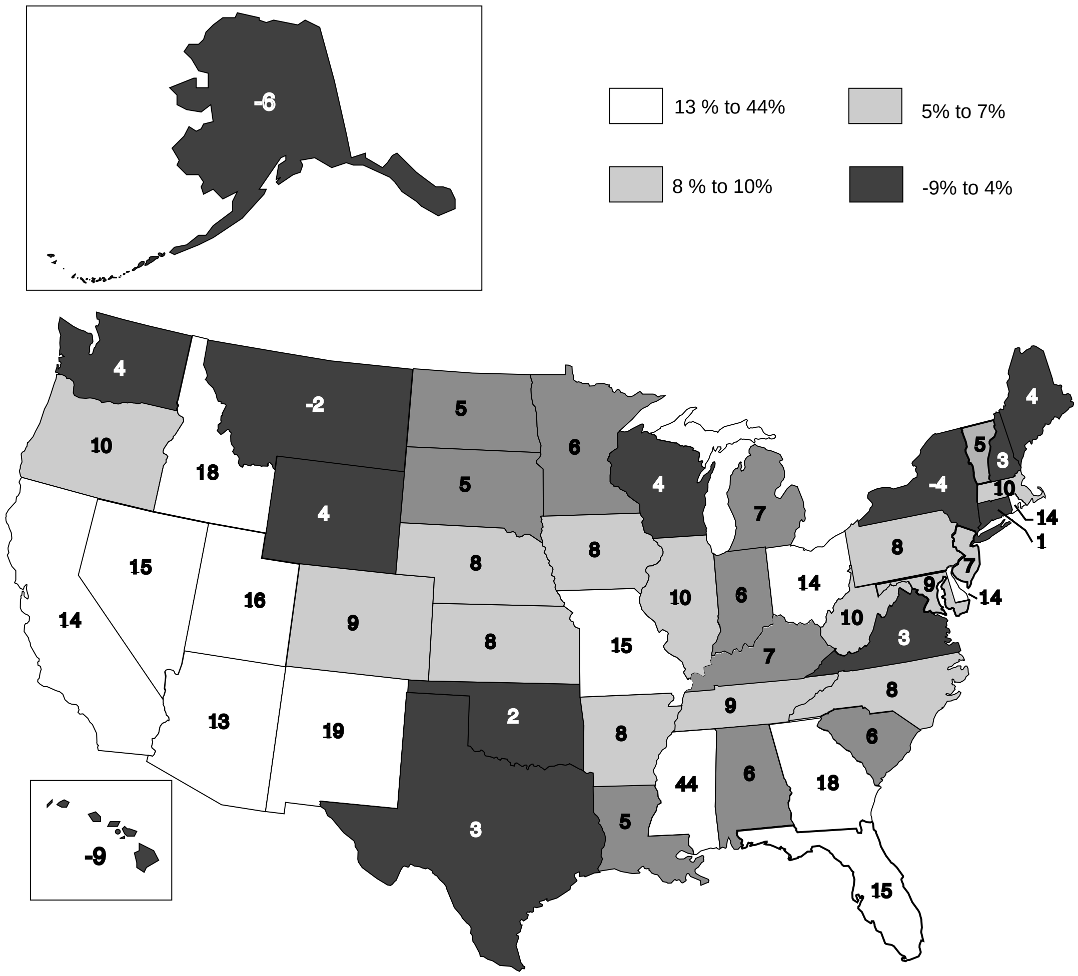
The aggregate one-year gain in state higher education funding (all state tax funds) for FY 1996 of $1.4 billion (3.3 percent) was considerably less than the FY 1995 increase of $2 billion (4.9 percent).[133] New York's cuts greatly influenced this fall off. Higher education funding for all states increased 8.3 percent between FY 1994 and FY 1996, the largest two-year gain since the recession began in 1991 and the third consecutive annual increase in the two-year gain figure after an unprecedented decline in FY 1993. Only Mississippi (44 percent) showed a higher education funding increase of greater than 20 percent between FY 1994 and FY 1996 (Figure 4). Two-year higher education spending growth increased by 13 to 19 percent in the other top quartile states—Arizona, California, Delaware, Florida, Georgia, Idaho, Missouri, Nevada, New Mexico, Rhode Island, Ohio, and Utah. "Megastates" as a group differed little from the other states. The Southeast and Southwest tended to show higher funding growth over the two-year period but even this was not a universal pattern.

Two state higher education funding patterns suggest current policy priorities. Student aid increased by a robust 16.9 percent between 1994 and 1996 for the 34 states with comparable data. The student-aid increase exceeded the growth rate for all higher education funding in 24 of these states (71 percent), continuing the recent pattern. Also, community college funding increased by 16 percent over the last two years in the 41 states with available data. This exceeded the growth in total higher education funding in 28 of these 41 states (68 percent). This funding pattern reflects the long-term upward trend in the proportion of students enrolled in community colleges, no doubt accelerated by tuition increases at four-year colleges and by state policy shifts encouraging the growth of this less-expensive sector.[134]

Many state legislators discerned the inadequacy of recent state funding levels for higher education. Less than half (44 percent) of the committee chairs interviewed in the Ruppert NEA study considered the current level of higher education funding adequate to meet *current* needs. Only about one-fourth of the chairs felt that the funding levels were adequate for *future* needs.[135] Opinions varied sharply by party. Republicans were more likely to consider funding levels adequate for current needs (63 percent vs. 26 percent for Democrats) and for future needs (33 vs. 19 percent). But 55

FIGURE 4

PERCENTAGES OF TWO-YEAR GAIN IN APPROPRIATIONS OF STATE TAX FUNDS FOR ANNUAL OPERATING EXPENSES OF HIGHER EDUCATION IN THE 50 STATES.



SOURCE: Hines, 1996.

percent of the committee chairs expected no change in the funding share for higher education during the next three to five years; 29 percent expected higher education to receive a smaller share.[136]

Yet institutions such as member schools of the National Association of State Universities and Land-Grant Colleges (NASULGC), noted a recent survey, faced many rapidly increasing costs. These costs included acquiring information (for libraries, through technology); advancing in computer technology for teaching and administration; providing financial aid to needy students; complying with federal regulations; restoring faculty, staff, and administrator salaries to reflect cost-of-living increases; renovating physical plant; making cost-effective energy improvements; and expanding services for students, including responding to the growth in the number of students with disabilities.[137] State appropriations per full-time equivalent student, the NASULGC study added, declined in constant dollars between FY 1988 and FY 1993. The share of total revenues received by public institutions from the state dropped from 46 percent to 37 percent between 1980-81 and 1992-93.[138]

The NEA survey of state legislative committee chairs suggests why higher education failed to maintain its share of state appropriations. A significant factor, answered 68 percent of respondents, was "the ability of colleges and universities to raise their own funds through tuition, research grants and gifts."[139] In contrast, other caseload-driven, "mandated" state programs lacked alternative revenue options. This legislator perception, of course, works against colleges and their students especially in times of budgetary stringency.

Higher education, along with other fields, is moving towards performance-based budgeting approaches to state funding. South Carolina, with the most comprehensive plan, expected to base its funding for public higher education entirely on performance by mid-1999.[140] Arkansas, Colorado, Florida, Minnesota, Missouri, Ohio, and Tennessee considered partial adoption of a performance basis for higher education budgets.[141] This movement, noted one analyst, had its greatest strength in the South.

Other significant budgeting trends included restructuring, resource reallocation, and sorting out the effects of cutbacks. Restructuring—including program and mission reviews, administrative reorganizations and closer budget monitoring—became a substantial movement in higher education in 1994, according to one survey.[142]

A 1995 survey sponsored by the American Association of State Colleges and Universities (AASCU) asked the association's state representatives to rank higher education issues by priority among the stakeholders in their states. Governors, legislators, and state administrators ranked accountability highest, the survey found, and institution presidents and chancellors listed it third.[143] Thus, rather tough times should continue for the next few budget cycles as enrollments grow while states continue to push for efficiency and the federal government cuts its budget. Also, in the next economic slowdown, prior experience shows, higher education will again become the "budget-balancer."[144] This is when the truly difficult times for higher education will commence.

INCREASED DEMAND FOR HIGHER EDUCATION

The fiscal squeeze in higher education could not have occurred at a worse time since states are confronting greatly increased demands for access. The social and individual economic returns from "human capital" investments in higher education are near all-time highs.[145] Adult students and their employers see the benefits of continuing education and training as rapidly evolving technology and ever-changing markets alter the nature of work.[146] New technology, permitting "placebound" students with full-time jobs or living in remote areas to obtain higher education, may sharply increase demand.

Most important, the coming of age of the "baby boom echo" generation means a larger traditional college-going age cohort.[147] The best estimates of the increased numbers of high-school graduates, a key determinant of the demand for college places, in each state between 1995-96 and 2005-06 show an 18 percent increase, nationwide (Figure 5).[148] Most Pacific Coast, southwestern, and eastern seaboard states, as well as Illinois and Minnesota, anticipate substantial gains. California, Florida, Maryland, Virginia, and Washington must accommodate increases of over 30 percent. Smaller states, including Arizona, Colorado, Delaware, Nevada, and New Hampshire, face similar increases.

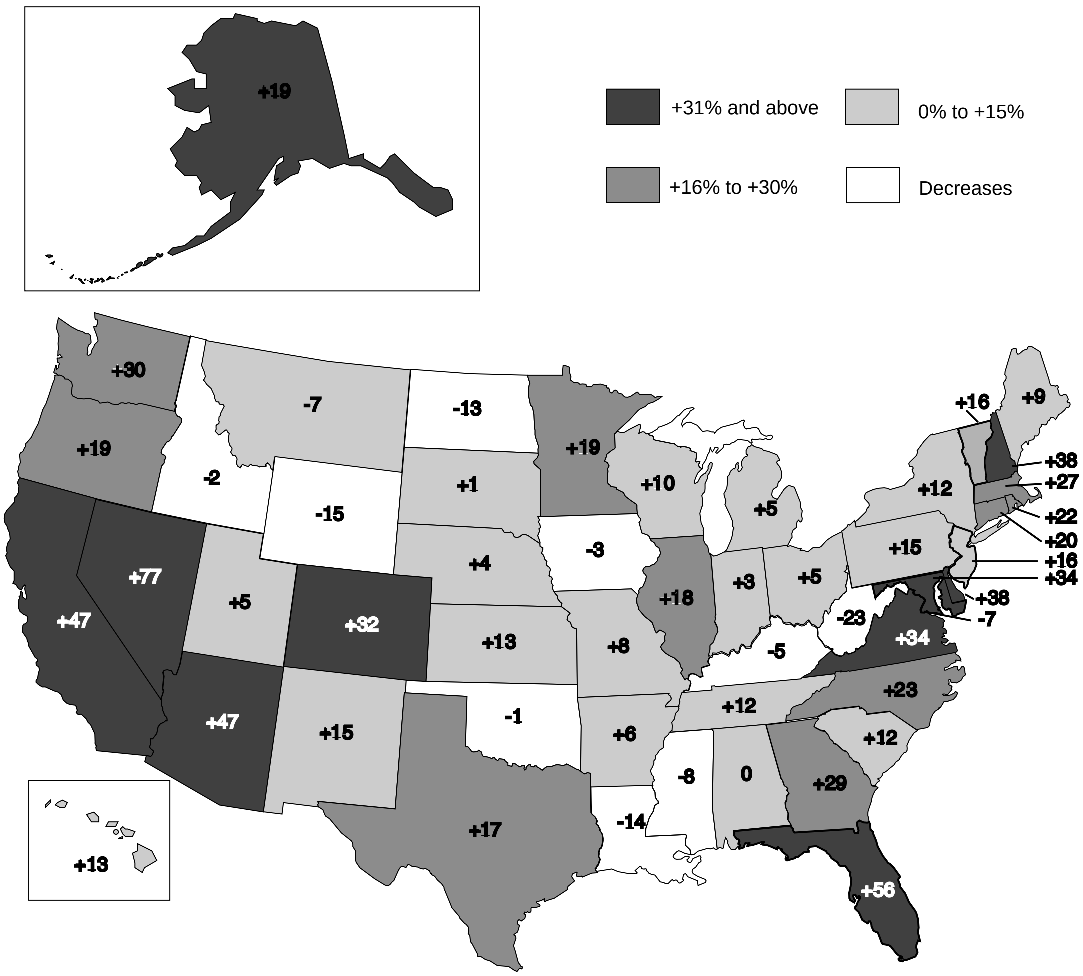
Some states are already attempting urgently to reconcile the burgeoning demands for access to higher education with their stringent fiscal assumptions and pressures, but the problem will only become more acute.

TUITION TRENDS

Since the late 1970s, students and their families have paid a sharply greater share of higher education costs while the state share has steadily declined. The federal share also fell slightly, and contemplated budget retrenchment implies further substantial declines. Annual tuition increases therefore have exceeded inflation since 1980, with a large spike in the early 1990s (Figure 6). The share of educational expenditures in public higher education institutions paid by tuition increased by 50 percent between 1980 and 1993 to a historic high of nearly one-third of these

FIGURE 5

PROJECTED CHANGE IN THE NUMBER OF HIGH-SCHOOL GRADUATES, 1995-96 TO 2005-06



SOURCE: The Chronicle of Higher Education Almanac, September 1,1995.

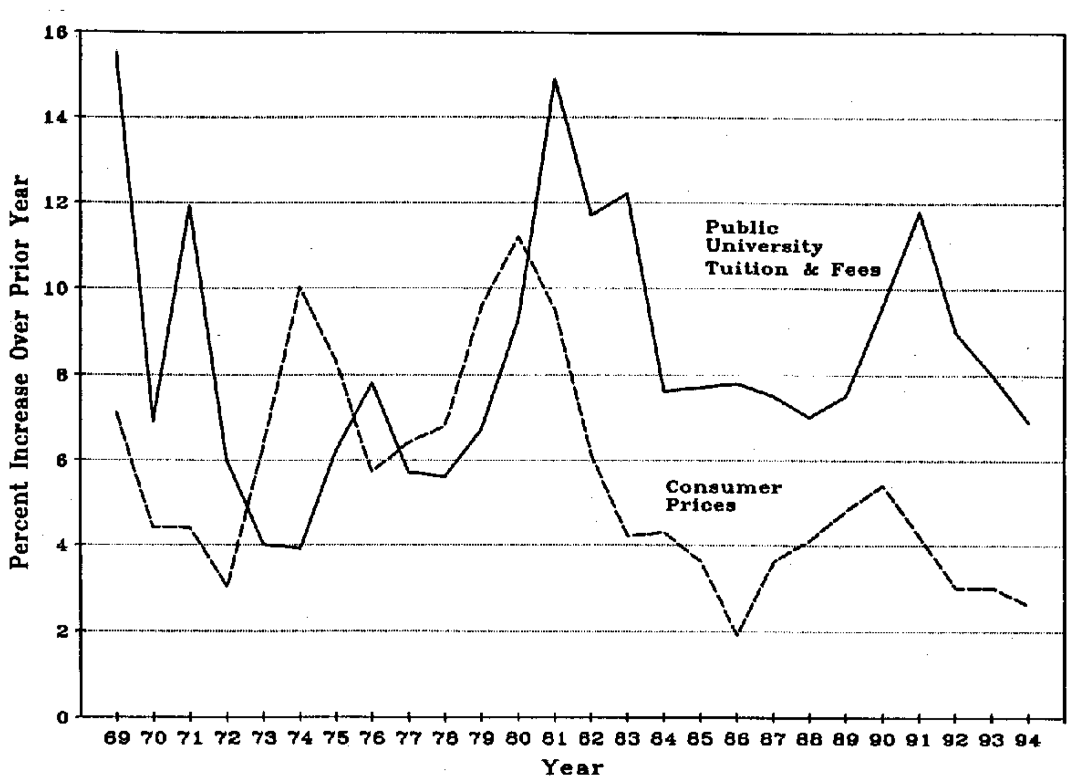
costs.[149] This trend has had especially dramatic effects on Black and Hispanic families (Figure 7).

Tuition and fee increases moderated in the last few years, but the nearly 6 percent 1995-96 growth rate remained about twice the rate of inflation (Table 3). The increases, though equal to the prior year's price jump, were lower than the increases posted for each of the previous four years. States hit hard by the recession showed some of the biggest tuition increases between 1990-91 and 1994-95: California, Oregon,[150] Texas, Washington, and the Middle Atlantic states (Table 4). The Southern and Rocky Mountain West states, faring better economically, did not, in general, seek sharply increased tuition revenues over these years. New York, after virtually doubling tuition and fees over the previous four years, raised tuition by another 25 percent in 1995-96, almost twice the rate of increase of any other state. But California's string of fee hikes finally moderated; fees climbed 15.6 percent in 1994-95, but only 1.9 percent in 1995-96.

In this climate, "budget bargaining" proposals, in which public colleges or universities

FIGURE 6

ANNUAL PERCENTAGE INCREASE IN PUBLIC UNIVERSITY TUITION AND CONSUMER PRICES 1969 TO 1994



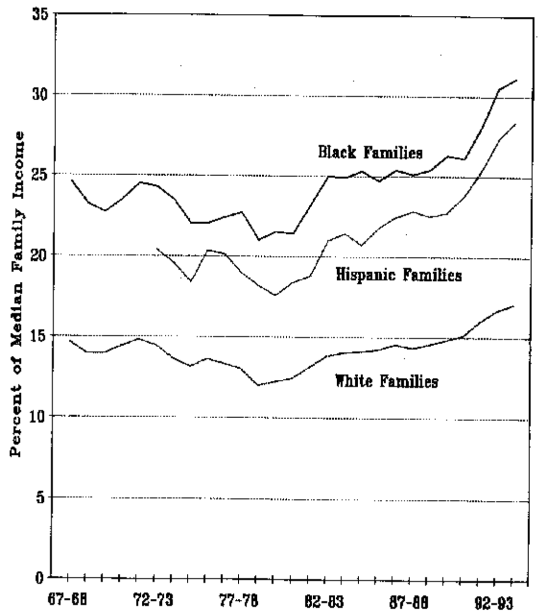
SOURCE: Mortenson, 1995b.

would freeze tuition increases in exchange for more ample increases in state appropriations, received only modest support: 38 percent of the NEA-surveyed state higher education committee chairs opposed the idea and 23 percent were neutral.[151] Less than one-fourth (23 percent) of the respondents foresaw a high tuition/high aid funding strategy emerging in their state—another potential source of substantial increased revenue.[152] When asked about ways of raising money for higher education, 73 percent of the committee chairs suggested increased tuition for nonresident students; 56 percent suggested higher resident tuition. The lower a state's average tuition and fees, observed the NEA report, the more likely was the committee chair to seek to raise student charges.[153] Nearly half the respondents (52 percent) predicted future linkage of funding for higher education with specific statewide priorities; 30 percent foresaw linking of tuition increases to median family income, or to the CPI, which would probably have the effect of moderating tuition growth rates considerably. [154]

Many other changes have affected the finance of higher education. A NASULGC survey of 50 member institutions listed "changes that have already taken place" in recent years, including: fee increases (92 percent); more students requesting financial aid (89 percent); administrative or staff positions left unfilled or cut (82 percent); building repair or rehabilitation deferred (76 percent); and changes in budgeting practices to increase accountability (67 percent).[155] A list of predicted changes

FIGURE 7

PUBLIC UNIVERSITY CHARGES FOR TUITION, FEES, ROOM AND BOARD AS A PERCENT OF MEDIAN FAMILY INCOME BY RACE/ETHNICITY 1967-68 TO 1993-94



SOURCE: Mortenson, 1995d.

included: increased instructional workload (43 percent); more use of nontraditional instructional delivery systems (42 percent); increased class size (42 percent); reduced research support (33 percent); and reduced course selection (33 percent).[156] Reduced budgets induced all these changes; all carry negative implications for quality.

TRENDS IN STUDENT AID

Students and families have relied heavily on federal and state-funded student aid to cope with increased costs. But the 1992 changes in the federal Higher Education Act resulted in cutbacks in Pell grants and burgeoning loans. Since 1992, the share of grant aid declined from over 50 percent to the low 40 percent range.[157] Worse, the value of a Pell grant declined steadily as a proportion of the price of higher education over the last 10 years (Figure 8). Between 1990 and 1994, borrowing to pay for college increased 22 percent *per year,* while charges at independent and public colleges outpaced the increase in disposable personal income by two or three percentage points annually.[158] In 1994-95, noted one analyst, "federal loan programs provided $26 billion in aid to students, up 12 percent over the past year, and more than 50 percent over the past two years after adjusting for inflation."[159] These large debt burdens may affect the career choices of college graduates.

TABLE 3

AVERAGE ANNUAL INCREASE IN TUITION (WEIGHTED) AND FEES AT COLLEGES, 1987-88 TO 1995-96*

	Two-Year Colleges		Four-Year Colleges	
Years	Public	Independent	Public	Independent
1987-88	5.0%	6.0%	6.0%	8.0%
1988-89	4.0	7.0	5.0	9.0
1989-90	5.0	7.0	7.0	9.0
1990-91	5.0	8.0	7.0	8.0
1991-92	13.0	6.0	12.0	7.0
1992-93	10.0	6.0	10.0	7.0
1993-94	10.0	7.0	8.0	6.0
1994-95	4.0	5.0	6.0	6.0
1995-96	6.0	4.0	6.0	6.0
Dollar Figures				
1995-96	$1,387	$6,350	$2,860	$12,432

** Data in this table are weighted by enrollment and represent cost increases for students who attend a certain type of college.*

NOTE: Restricting the sample to institutions with two consecutive years worth of data controls for year-to-year swings in the composition of the sample, but does not control for shifts in the sample's composition over longer periods of time.

SOURCE: The College Board.

The battle over the FY 1996 budget only worsened the picture. Federal spending on Pell grants fell from $6.2 billion in FY 1995 to $4.9 billion in FY 1996.[160] The Supplemental Education Opportunity Grants (SEOG) and College Work Study programs were level-funded in FY 1996. State Student Incentive Grants

TABLE 4

STATES RANKED BY PERCENTAGE CHANGE IN RESIDENT UNDERGRADUATE TUITION AND REQUIRED FEES (STATE AVERAGES) AT STATE COLLEGES AND UNIVERSITIES, 1990-91 TO 1994-95 AND 1994 TO 1995

States by Region	Tuition Increases 1990-91 to 1994-94	Tuition Increases 1994-95 to 1995-96	State Rankings	Tuition Increases 1990-91 to 1994-95	State Rankings	Tuition Increases 1995-96
New England			1. California	100.6%	1. New York	25.1%
Connecticut	70.3%	3.9%	2. New York	99.3	2. Arkansas	13.3
Maine	43.1	2.3	3. Connecticut	70.3	3. North Carolina	9.9
Massachusetts	39.2	3.7	4. Texas	65.7	4. Oklahoma	9.6
New Hampshire	31.6	9.4	5. South Carolina	62.2	5. New Hampshire	9.4
Rhode Island	53.4	4.8	6. Oregon	56.4	6. Michigan	9.0
Vermont	26.5	3.9	7. Missouri	53.6	7. Alabama	8.5
Middle Atlantic			8. Rhode Island	53.4	8. Montana	7.7
Delaware	N/A	N/A	9. Montana	53.2	9. Maryland	6.7
Maryland	50.2	6.7	10. Maryland	50.2	10. New Jersey	6.7
New Jersey	34.0	6.7	11. Pennsylvania	46.2	11. South Dakota	6.7
New York	99.3	25.1	12. Virginia	45.4	12. Utah	6.4
Pennsylvania	46.2	4.6	13. New Mexico	43.4	13. Wisconsin	6.0
Great Lakes			14. Maine	43.1	14. Nebraska	6.0
Illinois	32.4	4.1	15. South Dakota	41.5	15. Ohio	5.9
Indiana	34.5	5.5	16. Kentucky	40.4	16. Kentucky	5.8
Michigan	35.7	9.0	17. Washington	40.0	17. Kansas	5.7
Ohio	34.3	5.9	18. West Virginia	39.5	18. Tennessee	5.6
Wisconsin	21.3	6.0	19. Massachusetts	39.2	19. Indiana	5.5
Plains			20. Arkansas	38.0	20. Colorado	5.5
Iowa	29.9	4.2	21. Michigan	35.7	21. Texas	5.2
Kansas	27.3	5.7	22. Indiana	34.5	22. Nevada	5.2
Minnesota	32.5	4.6	23. Ohio	34.3	23. Rhode Island	4.8
Missouri	53.6	4.4	24. New Jersey	34.0	24. Idaho	4.7
Nebraska	29.4	6.0	25. Florida	32.7	25. Pennsylvania	4.6
North Dakota	14.9	0.1	26. Minnesota	32.5	26. Minnesota	4.6
South Dakota	41.5	6.7	27. Illinois	32.4	27. Missouri	4.4
Southeast			28. Idaho	32.4	28. Georgia	4.3
Alabama	29.3	8.5	29. New Hampshire	31.6	29. Oregon	4.3
Arkansas	38.0	13.3	30. North Carolina	30.4	30. Iowa	4.2
Florida	32.7	0.7	31. Mississippi	29.6	31. Illinois	4.1
Georgia	15.9	4.3	32. Nebraska	29.4	32. Connecticut	3.9
Kentucky	40.4	5.8	33. Alabama	29.3	33. Vermont	3.9
Louisiana	19.5	0.7	34. Iowa	29.2	34. Washington	3.8
Mississippi	29.6	0.3	35. Kansas	27.3	35. Massachusetts	3.7
North Carolina	30.4	9.9	36. Vermont	26.5	36. West Virgina	3.4
South Carolina	62.2	3.1	37. Nevada	26.1	37. South Carolina	3.1
Tennessee	25.1	5.6	38. Oklahoma	25.7	38. Virginia	3.1
Virginia	45.4	3.1	39. Tennessee	25.1	39. Arizona	3.1

TABLE 4 (CONTINUED)

STATES RANKED BY PERCENTAGE CHANGE IN RESIDENT UNDERGRADUATE TUITION AND REQUIRED FEES (STATE AVERAGES) AT STATE COLLEGES AND UNIVERSITIES, 1990-91 TO 1994-95 AND 1994 TO 1995

	Tuition Increases					
States by Region	1990-91 to 1994-94	1994-95 to 1995-96	State Rankings	Tuition Increases 1990-91 to 1994-95	State Rankings	Tuition Increases 1995-96
West Virginia	39.5	3.4	40. Utah	24.7	40. Maine	2.3
Southwest			41. Colorado	23.4	41. New Mexico	2.1
Arizona	23.0	3.0	42. Arizona	23.0	42. California	1.9
New Mexico	43.4	2.1	43. Wisconsin	21.3	43. Florida	0.7
Oklahoma	25.7	9.6	44. Louisiana	19.5	44. Louisiana	0.7
Texas	65.7	5.2	45. Georgia	15.9	45. Mississippi	0.3
Rocky Mountain			46. North Dakota	14.9	46. North Dakota	0.1
Colorado	23.4	5.5	Delaware	N/A	Delaware	N/A
Idaho	32.4	4.7	Wyoming	N/A	Wyoming	N/A
Montana	53.2	7.7	Alaska	N/A	Alaska	N/A
Utah	24.7	6.4	Hawaii	N/A	Hawaii	N/A
Wyoming	N/A	N/A				
Far West						
Alaska	N/A	N/A				
California	100.6	1.9				
Hawaii	N/A	N/A				
Nevada	26.1	5.2				
Oregon	56.4	4.3				
Washington	40.0	3.8				
National Average*	38.5	5.5		38.5		5.5

** Does not include Alaska, Delaware, Hawaii, and Wyoming.*

SOURCE: Washington Higher Education Coordinating Board, 1996.

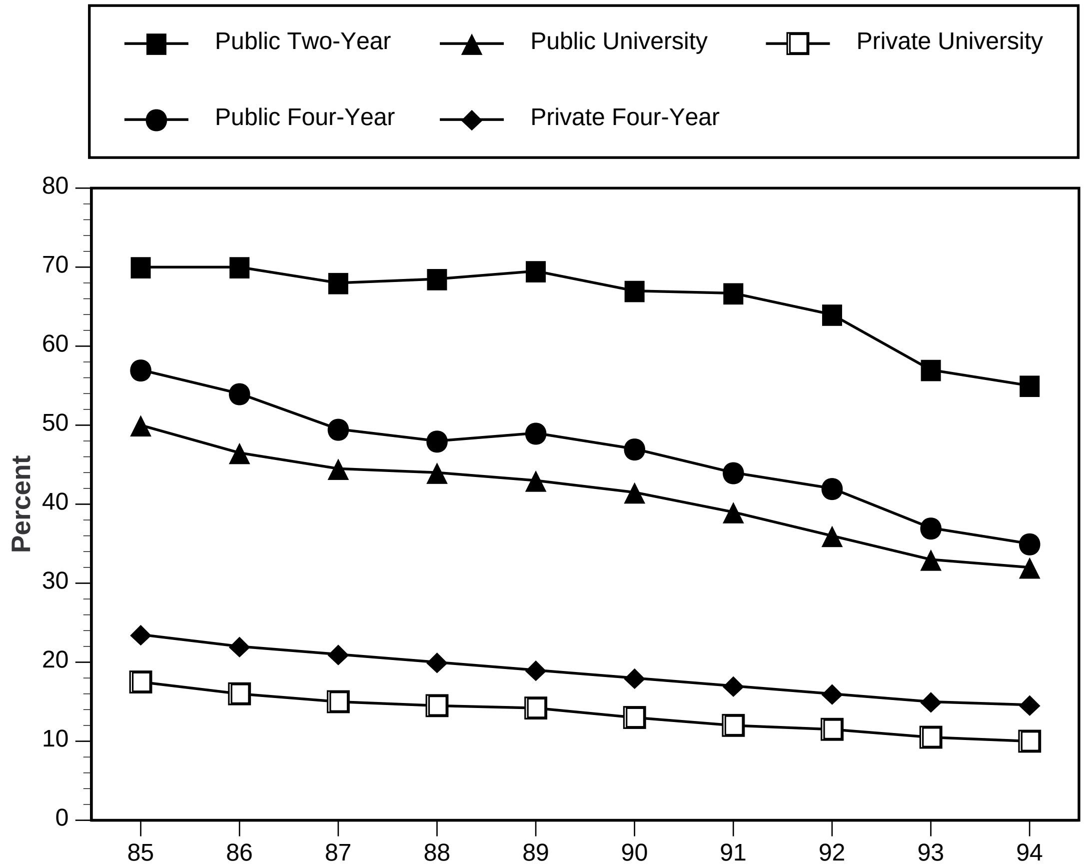
(SSIGs), which provide incentives to states that make need-based grants to their students, sustained a 50 percent cut. Perkins loans also suffered sharp cutbacks.

Republicans savagely criticized President Clinton's AmeriCorps national service program during the FY 1996 budget negotiations, but the President salvaged the program by expending political capital and accepting substantial funding cuts. The service corps, which provides college aid grants to "volunteers" who complete their service, is more than a student aid program. But its $27,000 per-participant annual cost greatly exceeds the cost of any other student aid effort.[161] The Administration promised to reduce the per-participant cost, but many college officials doubt that the program helps low-income students.[162]

Both political parties proposed election-year tax benefits for enrolling in college, but these campaign planks were not enacted before the election.[163] The climate of budgetary stringency, worried higher education leaders note, may lead to dramatic reductions in aid for needy students during the scheduled reauthorization of the Higher Education Act in 1997.[164] Much depended upon the outcome of the election; states, in any case, would likely

FIGURE 8

THE MAXIMUM PELL GRANT AS A SHARE OF COST OF ATTENDANCE



SOURCE: The College Board, 1995a.

assume an increasing role in providing student aid in addition to their traditional responsibility for basic financing of public institutions.

During the 1990s, state student aid spending growth rates roughly matched the rate of tuition increases, but preliminary data for 1995-96 showed only a 2.8 percent increase in state need-based undergraduate student aid while tuition continued to climb. Table 5 shows the recent annual growth rates in total state-provided need-based aid for undergraduates.

A Clinton Administration proposal to phase out the State Student Incentive Grant program over two years appeared to have Congressional support. Eliminating SSIG, according to one estimate, would likely close the student grant programs entirely in up to 15 states.[165] One analyst criticized the proposed elimination of SSIG for its likely impact on needy students. But his proposal to combine all federal need-based grants into a single program and to require states to match federal dollars was, in turn, criticized for its failure to focus state subsidies for higher education on the same needy students.[166] SSIG cuts would disproportionately affect the western states, the location of "six of the 10 states that devoted at least 35 percent of their aid dollars to the SSIG program."[167]

Students, confronted with cuts to key aid programs, are paying more attention to net

TABLE 5

GROWTH IN STATE NEED-BASED UNDERGRADUATE STUDENT AID, 1989-90 TO 1995-96

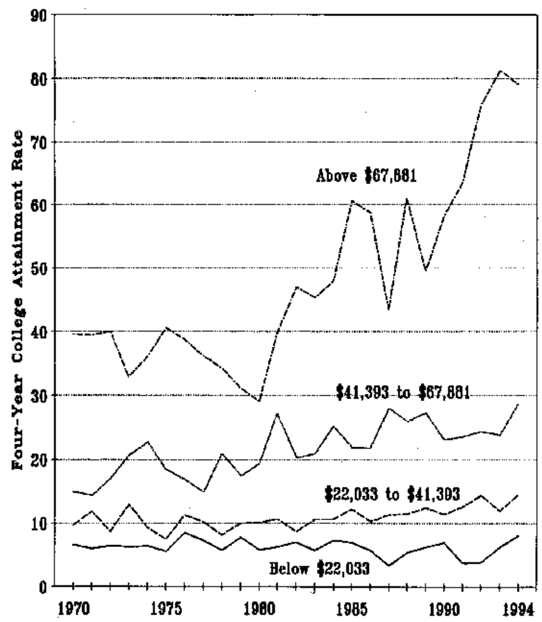
Year	Percent
1989-90	7.4
1990-91	8.4
1991-92	7.5
1992-93	9.7
1993-94	12.3
1994-95	11.3
1995-96	2.8*

** Data is partial and preliminary.*

SOURCES: National Association of State Scholarship and Grant Programs, 1996; Mortenson, 1995e.

FIGURE 9

ESTIMATED CHANCES FOR A BACCALAUREATE DEGREE BY AGE 24 BY FAMILY INCOME QUARTILE 1970 TO 1994



SOURCE: Mortenson, 1995f.

price in choosing a college.[168] Lower-income students often choose a community college, where attrition rates are often high and successful transfer to a four-year institution is difficult. Family income has long-influenced the prospects for young people to earn a bachelor's degree by their mid-20s, but the shift towards the top income quartile since 1980 is astounding (Figure 9). Students from this quartile were roughly *eight times* as likely to complete a bachelor's degree by age 24 in 1994 as students from the two lowest income quartiles. Degree completion rates for the lowest and lower-middle income groups were mired at around 10 percent and showed virtually no change since 1970. Recent developments provided little hope of altering this picture.

Nonetheless, investment in higher education continued to contribute demonstrably to the future well-being of students, their families, and the larger society. Average family income remained strongly correlated to the educational attainment of the head of household (Figure 10). In 1994, the average family income of high-school-graduate-headed families stood at $41,000. Families whose head of household held a bachelor's degree averaged $73,000. Families with a head of household holding an advanced degree did even better: master's-$84,000, doctorates-$113,000, professional degree-$123,000.[169] Figure 10 shows a declining trend in inflation-adjusted incomes for all groups where the head of household had less than a bachelor's degree.

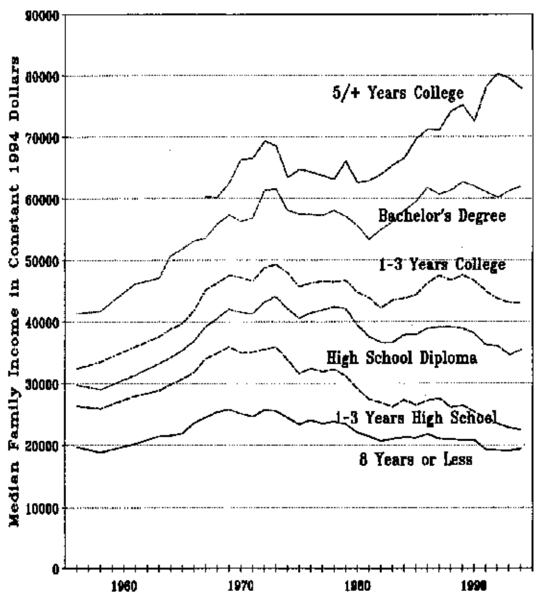
EFFECTS ON ACCESS

Access, noted respondents to AASCU's 1995 survey of state representatives, sustained more damage from funding erosion in recent years than any other listed area of campus effort.[170] Another survey reported gains in fall 1994 headcount enrollment in only 39 percent of the public colleges surveyed, and noted slippage in enrollment gains for students of color.[171]

During the 1980s, the college enrollment rate gap between white and Black high school graduates increased from five to 12 percentage points; the gap grew from three to seven percentage points between white and Hispanic students.[172] College enrollment rates for Black and Hispanic high school graduates increased slightly to near-record levels between 1990 and 1994, but white high school graduates still showed substantially higher rates.[173] Then,

FIGURE 10

MEDIAN FAMILY INCOME
BY EDUCATIONAL ATTAINMENT OF HOUSEHOLDER
1956 TO 1994



SOURCE: Mortenson, 1996c.

between 1993 and 1995, institutions reporting gains in African American and Hispanic American enrollments fell from 54 percent to 44 percent, and from 48 percent to 41 percent, respectively. Asian Americans showed the greatest change: 48 percent of institutions reported gains in this group in 1993, but only 34 percent in 1995. Most administrators rated the ability of their institution to attract students of color "rather poorly;" this evaluation has not improved since 1989.[174]

Two economists recently attributed much of the growth in the college enrollment gap by race to the increased net costs (tuition minus aid) of higher education. A $150 net cost increase, in 1993-94 dollars, resulted in a 1.6 percent decline in the enrollment rate of lower-income students, their analysis showed. This group included many Black and Hispanic students, but fewer whites. Affluent students were relatively impervious to higher prices.[175] Net tuition increases of $1,000 to $1,500 for middle and upper income students evidently have not deterred public college enrollment.[176] States with high public tuition, noted another recent study, showed wider enrollment gaps between high- and low-income youth.[177] "This evidence," concluded the economists, "is consistent with the judgment that, at the margin, shifting some of the financial burden from state governments to middle- and upper-income families does not discourage enrollment."[178] States could raise tuition and recycle much of the increased revenue into need-based student aid for those in the lowest ranges. But few states have adopted this measure, and most key legislators do not foresee movement in this direction, as was indicated by the survey evidence cited earlier.

The hotly contested move by the University of California Board of Regents to ban consideration of underrepresented minority status in admissions decisions, effective in January 1997, will likely reduce minority enrollments in that state.[179] Raising admission standards at public colleges, a popular higher-education trend in 1996, might also affect low-income and minority students disproportionately.[180] Tightening standards, a traditional response when applicants are plentiful, does not respond to increased demands for access.

Several states are utilizing innovative programs to address access concerns. A "Virtual University," sponsored by the Western Governors Association, will eventually link existing institutions in the western states via distance learning technology.[181] Some states seek to restrict the time students spend in college to free up space for incoming students. Some of these states impose stiff charges for credits taken beyond a threshold above the number required for the bachelor's degree.[182] Some states are trying to induce qualified high school students to enroll in Advanced Placement college-level courses. Others provide financial incentives to high school students to take community college courses for dual credit, thereby permitting faster movement through the public educational system and better utilizing existing capacity.[183]

Arizona, Colorado, and Minnesota are considering "tuition vouchers" to encourage students to attend independent institutions.[184] The small, experimental program in Arizona provides $1,500 vouchers to 60 graduates of two-year schools for use in pursuing the baccalaureate at independent, nonprofit, or degree-granting proprietary postsecondary institutions in the state.[185] The small programs in

Virginia and Washington are restricted to regions with independent colleges but limited access to public four-year institutions. Florida plans to support upper-division student attendance at an independent college or university when public institutions have no space in the student's chosen major.[186]

THE FUTURE

In some respects, the economic and fiscal outlook for higher education in 1995 and early 1996 offered considerable promise. The national economy continued to perform relatively well. All regions were out of the doldrums of the early 1990s (though economic performance was, as always, uneven across regions), and most state budgets were in healthy balance. Most forecasters saw continued modest economic growth with low inflation for the next year or two. State funding for higher education continued to grow at just over the inflation rate in most states. But few states helped higher education regain the fiscal ground lost during the early 1990s, and prospects for future increases were remote, despite anticipated demands for increased access.

Many southern, western, and eastern seaboard states—where the numbers of high school graduates were already increasing, and the changing economy called for a more educated work force—expected big enrollment increases. But state and institutional responses were inadequate: Less than 40 percent of public institutions increased enrollments in 1994-95.[187] Functions related to enrollment capacity and access suffered the worst damage from recent funding erosion.[188] Public policy failed: Most states faced this access demand with limited capacity and with no mandate to respond as they do to other human service needs.

Large federal reductions in student aid and research may directly affect higher education. Worse, federal budget slashes in health and social services implies increased state responsibility for the humane treatment of low-income populations *without* increased resources. Without structural reforms, higher education will compete more intensively with Medicaid, corrections, and K-12 education for its share of the state budget. States "must" fund these functions at a time when growth rates in Medicaid and corrections spending show few signs of slowing and when K-12 education, by far the largest state spending category, must serve a significantly greater number of pupils. Limits on state taxing and spending powers further squeezes budgets in many states with the fastest-growing populations.[189] Higher education, in contrast, appears a discretionary function that can always charge its users more.

Finally, the next recession will surely exacerbate health and welfare demands while cutting or eliminating state revenue growth. Historically, higher education budgets have served as budget-balancers in recessions. Unless state fiscal structures undergo fundamental changes and the federal government continues to play its necessary role, the prospects for higher education funding—and thus for access—are not promising beyond the short run.

The metaphorical cup is thus at least half empty. Yet the high value placed on, and the ever-growing demand for, higher education's services are strong positive factors in the inevitable political competition for state and federal support. Higher education, unlike many mandated state functions, is an investment with a tangible economic payoff—a powerful argument with bipartisan appeal as the nation fights to maintain its standard of living.

Higher education will not command what many within the enterprise would feel are adequate or generous resource allocations—on a per-student basis, further belt-tightening and restructuring certainly lie ahead. But this sector should, if the case is skillfully made and the job itself well done, be able to carve out a niche that will grow with the society's need for its services. Many colleagues in other human services endeavors face far less promising prospects.

NOTES

1 Wilke, 1996b, A2; Cranford, 1996, 759; Brinner and Wyss, 1996b, 6.

2 "Consumer Prices," 1996, A1.

3 Berry, 1996, 24; "Analysts Optimistic about Economic Growth," 1996, A3; Wilke and Corbett, 1996, A2.

4 Cranford, 1996, 758.

5 *Ibid.* Inflation was held down by slow growth in wages and benefits, notably health care costs (Duff, 1996, A2; Brynner and Wyss, 1996a, 6; Brynner and

Wyss, 1996b, 3).

[6] Twenty percent of a panel of economists surveyed by the *Wall Street Journal* in January 1996 forecasted a recession in 1996; 35 percent forecasted a recession in 1997 (Bleakley, 1996a, A2). The *Blue Chip* economists estimated a 26 percent probability of recession in 1996 and a 35 percent probability for 1997 and 1998 (Cranford, 1996, 759).

[7] Whitelaw, 1996, 52.

[8] Johnson, Bilik, Kloepfer and Rubin, 1996, 30.

[9] McBride, 1996, A2.

[10] Browning, 1996, C1.

[11] "Unemployment Rate," February 5, 1996, A1; Church, 1996, 53.

[12] Johnson, Bilik, Kloepfer and Rubin, 1996, 30; "Unemployment Rate" June 10, 1996, A1.

[13] In the other regions, unemployment rates were: Southeast-5.3 percent; New England-5.0 percent; Great Lakes-4.4 percent (National Governors' Association, 1996, 15).

[14] Brinner and Wyss, 1996c, 1; Wilke, 1996b, A2.

[15] Bleakley, 1996b, A2.

[16] Dentzer, 1996, 58.

[17] *Ibid.*; Mallory, Brink, Hetter and Fischer, 1996, 44-48.

[18] Mortenson, 1996c, 13-16.

[19] Duff, 1996, A2.

[20] Johnson, 1995, 33-36; McIntire, 1995a.

[21] The Congressional budget resolution (a blueprint for developing the details of the budget) for FY 1997, due to be completed in April, 1996, was delayed about two months, raising the spectre of a second consecutive fiscal year begun without a budget (Hager, 1996, 1579-80).

[22] This discussion of regional economic trends, except as otherwise stated, draws heavily upon Johnson, Bilik, Kloepfer and Rubin, 1996, 29-45.

[23] Johnson et al., 1996, 37.

[24] *Ibid.*, 37.

[25] *Ibid.*, 39.

[26] The top five of these states were expected to be: Arizona, Nevada, New Mexico, Utah, and Washington.

[27] Johnson et al., 1996, 33.

[28] Peirce, 1996, 134.

[29] Johnson et al., 43.

[30] *Ibid.*, 41.

[31] Peirce, 1996, 134; Debow, 1996, 11-12.

[32] Debow, 1996, 13.

[33] *Ibid.*, 16.

[34] *Ibid.*

[35] Johnson et al., 1996, 41; see also Northwest Policy Center and US Bank, 1996, 64.

[36] Johnson et al., 1996, 41.

[37] *Ibid.*, 33.

[38] *Ibid.*, 42.

[39] Northwest Policy Center and US Bank, 1996, 5.

[40] Johnson et al., 1996, 34.

[41] *Ibid.*, 50.

[42] *Ibid.*, 35.

[43] *Ibid.*, 34.

[44] *Ibid.*

[45] Wysocki, 1996, A1.

[46] Johnson, 1995, 33.

[47] Johnson, 1995, 34.

[48] *Ibid.*

[49] McIntire, 1995a.

[50] Fram, 1996, A5.

[51] But higher education and research programs fared remarkably well compared to other "domestic discretionary" federal programs (Hartle, 1996, B1).

[52] The FY 1996 figure is an estimate; the FY 1997 figure is generated from the governors' proposed budgets (National Governors' Association, 1996, 13).

[53] National Governors' Association, 1995, 14.

[54] Perez, 1996, 3.

[55] Snell, Carter, Perez, and Rafool, 1995, 4.

[56] Lemov, 1995d. These accounts are designed to provide a cushion in case of unexpected revenue shortfalls or unavoidable expenditure demands.

[57] Lemov, 1995d, 39. These states are Alaska, Colorado, Delaware, Louisiana, Oklahoma, South Carolina, Texas, and Virginia.

[58] Shanahan, 1996, 45.

[59] National Governors' Association, 1996, 3.

[60] Of course inflation rates were higher in the 1980s.

[61] These states were: Hawaii, Idaho, Kansas, Maine, Maryland, New Hampshire, New Jersey, New Mexico, Rhode Island, South Dakota, and Vermont (National Governors' Association, 1996, 2).

[62] *Ibid.*

[63] *Ibid.*, 3.

[64] *Ibid.*, 8.

[65] *Ibid.*, 11.

[66] *Ibid.*, 11.

[67] *Ibid.*

[68] Gold, 1995.

69 *Ibid.*, 1.

70 *Ibid.*

71 Perez, 1996, 10-11.

72 McGuire, 1995, 6.

73 National Governors' Association, 1996, 18-21.

74 McIntire, 1995a.

75 Most important, Republicans sought to end the guarantee or "entitlement" of individuals to benefits if they qualify under criteria set in law. President Clinton agreed on Aid to Families with Dependent Children, and signed a welfare reform act in August, 1996 (Katz, 1996a, 1465-1467; Super et al., 1996).

76 Clymer, 1996.

77 Katz, 1996a, 1465.

78 Lav and May, 1995, 14. Republicans acknowledged this problem during June, 1996 discussions over welfare reform, but Democrats complained about the small size of the proposed correction (Katz, 1996b, 1599).

79 Katz and Cloud , 1996, 1028.

80 Economic Report of the President, 1996, 120-129.

81 Ehrenhalt, 1995, 7-8.

82 *Ibid.*, 8.

83 Lav and May, 1995, 4.

84 *Ibid.*, 9.

85 *Ibid.*, 11.

86 Walters, 1995.

87 *Ibid.* Ironically, the venerable Advisory Commission on Intergovernmental Relations, which commissioned the study, was itself slated for elimination just when it is most needed.

88 Katz, 1996a.

89 National Governors' Association, 1996, vii.

90 Gold and Ritchie, 1995, 2.

91 Snell et al., 1995, 19.

92 Under "tax-and-match" approaches, states incorporate specially-designed taxes on hospitals into their Medicaid funds that are matched by federal funds. The states, though reimbursing the hospitals for their "tax" contributions, come out ahead by virtue of the federal match of the phantom funds (Lemov, 1995c).

93 Lemov, 1995a, 27-28.

94 Gold and Ritchie, 1995, 3.

95 Snell et al., 1995. These calculations exclude a significant portion of the capital costs involved in corrections spending.

96 *Ibid.*, 20.

97 Gold and Ritchie, 1995, 3.

98 Gest and Pope, 1996, 29.

99 *Ibid.*

100 Lemov, 1995b, 53.

101 *Ibid.*, 53-54; Gest and Pope, 1995, 28-36.

102 Maier, 1995, A13. In contrast, 5 percent or less volunteered that answer for all but one prior year back to 1981.

103 Mortenson, 1996b, 9, 11. This compares Black men of all age groups in jails and prisons to the mostly-young group enrolled in higher education, so the comparison has limitations.

104 Snell et al., 1995, 22, 37.

105 *Ibid.*, 37.

106 National Governors' Association, 1996, 3.

107 Gold and Ritchie, 1995, 2-3.

108 *Ibid.*, 3.

109 National Governors' Association, 1995, 3.

110 Katz and Cloud, 1996, 1024; Super, Parrott, Steinmetz, and Mann, 1996.

111 Some suggested and enacted state reforms provided for limited job training, and sought to reduce the rolls mainly via "moral mandates," such as penalizing women who have children while on welfare and setting strict time limits on welfare receipt (Conte, 1996, 19-23).

112 Snell et al., 1995, 27. State appropriations for K-12 education grew by 5.3 percent when non-general fund support is included.

113 Gold and Ritchie, 1995, 2.

114 *Ibid.*, 3.

115 Snell et al., 1995, 30.

116 Mortenson, 1996a, 12.

117 Snell et al., 1995, 31. State substitution of tuition increases for state support was a key corollary of this downward trend (Gold and Ritchie, 1995, 2).

118 *Ibid.*, 33.

119 Mortenson, 1995a, 11. Halstead shows a similar result with funding of public higher education as a share of total state and local government spending peaking in 1979-80 at 8.3 percent and declining to a 6.3 percent share in 1994 (Halstead, 1994, 25). Local government spending is included here because local support for community colleges is important in many states, and more generally because state and local governments tend to draw their resources from the same sources under guidelines established by the states.

120 Mortenson, 1995a, 12.

121 Halstead, 1994, 25.

122 *Ibid.*, 75.

123 Snell et al., 1995, 31-33.

[124] Mortenson, 1996a, 13.

[125] Snell et al., 31.

[126] *Ibid.*, 33.

[127] Schmidt, 1996a, A28. In May 1996, a New York state court overturned cuts made in early 1995 for CUNY, saying that its governing board used outdated and overly pessimistic budget estimates (Schmidt, 1996c, A41).

[128] This is the term given by Edward Hines, who has tracked state higher education appropriations for many years, to the large states that spend over $1 billion annually on higher education (13 in FY 1996). Hines (1996) includes all state tax funds appropriated to higher education. In contrast, the report of the National Conference of State Legislatures (Snell et al., 1995) concentrates on appropriations from state general funds.

[129] Geraghty, 1996, A27.

[130] Hines, 1996, 1.

[131] Healy, 1996b, A26-A28.

[132] Ruppert, 1996, 7.

[133] Hines, 1996, 4.

[134] *Ibid.*, 17. Some additional comparisons: multicampus universities—only those receiving more than $100 million in state tax funds in FY 1996 are included here—showed weighted average percentage gains in funding of 6 and 40 percent, respectively, over the most recent two- and ten-year periods. Higher education, as a whole, showed 8 and 45 percent gains. Large consolidated systems—several institutions in a single system, receiving over $100 million from the state in FY 1996—fared somewhat better than multicampus universities, with 9 and 44 percent gains, respectively (*Ibid.*, 18).

[135] Ruppert, 1996, 30.

[136] *Ibid.*

[137] Henderson, 1996, 3.

[138] *Ibid.*

[139] Ruppert, 1996, 32.

[140] Schmidt, 1996e, A23. But specific measures had not been developed so the hardest part was yet to come.

[141] Schmidt, 1996a, A23-4. Public colleges in Arkansas are rewarded financially for retaining more freshmen, producing more graduates who pass licensure exams, holding down administrative costs, increasing faculty teaching productivity, and diversifying the staff. Ohio community colleges can increase their funding by keeping fees low, maintaining a wide array of course offerings, and working with businesses or other groups to develop training programs.

[142] American Council on Education, *Campus Trends* surveys, cited in Hines, 1996, 1.

[143] American Association of State Colleges and Universities, 1995, 1.

[144] Hines, 1996, 1; See also Gold, 1995.

[145] Murphy and Welch, 1989; Marshall and Tucker, 1992; Tyler, Levy and Murnane, 1995.

[146] Marshall & Tucker, 1992; Carnevale, 1991; Hornbeck and Salamon, 1991.

[147] The number of high-school graduates nationally has climbed to nearly 2.6 million in 1995 after reaching a low point at 2.276 million in 1991 (Mortenson, 1996d, 3). The proportion of high-school graduates continuing immediately on to college jumped from less than 50 percent in the 1970s to about 62 percent for recent cohorts (Mortenson, 1996d, 4).

[148] Data are from Western Interstate Commission on Higher Education, 1993.

[149] This share jumped from about 21 percent in 1980 to 32.2 percent in 1993 (Mortenson, 1995c, 14).

[150] But a voter-approved limitation on taxation in Oregon, enacted in 1990, was the primary culprit in forcing cutbacks in higher education funding and steep tuition increases.

[151] The report did not cite the specific percentage of respondents supporting the idea; at most, 39 percent supported this approach (Ruppert, 1996, 32).

[152] *Ibid.*, 32.

[153] *Ibid.*, 36.

[154] *Ibid.*, 36.

[155] Henderson, 1996, 6-7.

[156] *Ibid.*, 1996, 7.

[157] College Board, 1995a, 10.

[158] Schoenberg, 1995, A56.

[159] College Board, 1995b, 3.

[160] "1996 Spending on the Education Department and NIH," 1996, A34.

[161] Shecter, 1996, A22.

[162] Burd, 1996a, A31.

[163] Hager, 1996, 1580. They were also criticized for proposing to direct scarce financial aid resources toward middle- and upper-income students at the expense of the truly needy (Lederman, 1996, A35, A40).

[164] Burd, 1996b, A38.

[165] Burd, 1996c, A34-A35.

[166] *Ibid.*, A34-A35. The analyst was James R. Mingle, executive director of the State Higher Education Executive Officers.

[167] Healy, 1996d, A30.

[168] There was a sizable increase between 1983 and

1994 in the percentage of respondents citing as "very important" in selecting their college the reasons: "offered financial aid" (+10 points for women and +7 points for men) and "low tuition" (+9 points for women and +6 points for men). There were no comparable increases in other reasons for selecting one's college. The proportions reporting "good academic reputation" and "graduates get good jobs" declined in the three to five percentage point range (Mortenson 1995c, 3).

169 Mortenson, 1996c, 13. These figures come from Census Bureau data. Of course, these income differences are not necessarily all attributable to the differences in education of one member of the household.

170 Other areas prominently mentioned as sustaining damage were faculty recruitment, building maintenance, and program offerings (American Association of State Colleges and Universities, 1995, 12).

171 El-Khawas, 1995, 24. Aggregate enrollments grew by less than 1 percent in Fall, 1994 though the number of high-school graduates continued to climb; 66 percent of independent institutions reported gains.

172 McPherson and Schapiro, 1996, 14.

173 *Ibid.*, 13.

174 El-Khawas, 1995, 24-25.

175 McPherson and Schapiro, 1996, 15.

176 McPherson and Schapiro, 1996, 17. Similarly, demand to attend America's elite institutions has not abated despite very steep tuition growth during the 1980s (Clotfelter, 1996, cited in Mercer, 1996, A33).

177 Kane, 1995, cited in McPherson and Schapiro, 1996, 16.

178 McPherson and Schapiro, 1996, 17.

179 Schmidt, 1996b, A29.

180 Healy, 1996a, A28. The University of Massachusetts, for example, will raise its standards for admission in Fall, 1997 and in 1998.

181 Blumenstyk, 1996, A30-A31. The official name of this nascent institution is Western Governors University.

182 A basic problem with such a broad-brush approach is that students are often essentially forced to accumulate "excess" credits by the need to stay fully enrolled to remain eligible for financial aid while not necessarily being able to get the courses they need to complete their desired major. Also, not all majors have the same credit requirements.

183 Washington has such a program, called Running Start. The number of high-school students enrolled for college credit grew swiftly from 230 in 1990-91 to about 5,300 four years later ("Running Start Program Summary," 1995). Policymakers see the demand continuing to grow rapidly since the state pays the tuition for the college courses as long as the student is in high school. They plan to expand the program as fast as possible and connect it more explicitly to state K-12 education reform efforts as part of the state's strategy for coping with massive growth in demand for college access (Zumeta, 1996a).

184 Healy, 1996c, A29.

185 Information provided to the authors by Bruce Groll, Joint Legislative Budget Committee, State of Arizona, April 22, 1996. See also, Zumeta, 1996b, 11-12.

186 Schmidt, 1996d, A36; Zumeta, 1996b, 10-11.

187 El-Khawas, 1995, 21.

188 American Association of State Colleges and Universities, 1995, 12.

189 McIntire, 1995b.

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