



Financing Higher Education in New York State

One of the topics to be discussed at the September 2000 Regents Legislative Policy Conference will be the financing of higher education in New York State. This background paper provides some basic concepts and a limited amount of historical data and analysis. It does not address the State's priority and emerging needs, the main topics of discussion for the Conference.

Types of State support for higher education in New York

New York relies on many sources to pay for higher education, including students and their families, State and local tax taxpayers and private donors. There are at least five types of support that come from the State of New York.

- **State appropriations for the operating expenses of institutions**, the largest share of State spending on higher education, provide funds for system and institutional operating budgets. Virtually all of these funds go to the public sectors, where they keep tuition below cost for all students, regardless of income.
- **State appropriations for student aid**, the second largest share of State spending on higher education, provide grants and scholarships that go primarily to low- and moderate-income students. Student aid is an indirect source of support to institutions because it lowers prices for some students.
- **State appropriations for administration and special purposes** support administration (such as the Education Department and the Higher Education Services Corporation) and special purposes (such as Opportunity Programs and Teachers for Tomorrow).
- **State "tax expenditures"** are not appropriations of State tax funds. Rather, they are reductions to taxes to promote college savings and enrollment. They tend to benefit middle-income students and families.
- **State support for capital projects** comes in many forms. The State may make direct appropriations to institutions for capital projects and for debt service for non-residential facilities at SUNY and CUNY. Also, by raising funds with tax-exempt bonds, the Dormitory Authority of the State of New York and local Industrial Development Agencies help both public and private colleges and universities finance their capital projects.

State Effort: How New York Compares

Figures 1 - 3 show how New York State's spending on higher education compared to the eight other large states that spent over one billion dollars on higher education in fiscal year 1999-2000.

- **Total State effort.** State spending on higher education per capita, including appropriations for institutions, student aid, special programs and administration, is one indicator of total State effort. New York State's total spending per capita is less than the other large states. **(Figure 1)** This has been true for decades because of our large private sector.
- **State effort for the operating costs of public institutions.** New York spends fewer State tax dollars on appropriations to public institutions per full-time equivalent student than all the other large states except Illinois and Pennsylvania. **(Figure 2)** In 1997-98 New York ranked 28th among the 50 states on this indicator. This measure of support for the operations of SUNY and CUNY does not include student aid, special programs or State administration.
- **State effort for student aid.** New York spends more than all the other large states on State student grant aid per full-time equivalent student. **(Figure 3)**

Institutional Revenue and Expenditure Trends

State appropriations are only one part of the financing picture in higher education, albeit a large part for public institutions. Other financial indicators, derived from the Federal Integrated Postsecondary Education Data System or IPEDS, provide a more complete picture of institutional finances.

- **Total revenue** is the sum of all revenue from State and local appropriations, tuition and fees, grants and contracts, endowment income, hospitals and auxiliary enterprises (such as bookstores and dormitories) and other sources. Not all revenue is devoted to student-related purposes; some is used for research and public service. Total revenue at independent institutions should not be compared to other sectors because independent institutions use a large share of their tuition and fee revenue to award student grants and scholarships.
- **Revenue from State and local appropriations** is the share of total institutional revenue paid by the State and its localities. Education Law requires total revenue at CUNY's and SUNY's community college to be come from three sources. One-third should come from State appropriations, one-third from local appropriations and one-third tuition and fee revenue.
- **Gross tuition and fee revenue** is the share of institutional revenue paid by students and their families or by financial aid that they receive to pay tuition and fees. Gross tuition and fee revenue in the independent sector should not be compared to other sectors, because independent institutions use a large share of this revenue to award student grants and scholarships.
- **Student-related expenditures** estimate the funds used for student-related purposes. They include expenditures for academic functions (instruction, academic support and student services) plus a percentage of institutional support and operations and maintenance of physical plant related to those functions.

Figures 4-8 show trends for these indicators from 1980 to the most current year for which data are available for the five largest groups of institutions in New York State. All trends are in fiscal year 1996 constant (real) dollars, adjusted for inflation using the Higher Education Price Index, and reported on a full-time equivalent student basis to control for the effects of enrollment. Trends within a group are reliable indicators of change because institutions within a group tend to report consistently over time. Comparisons between groups may be less reliable because reporting may not be completely consistent across groups. Trends show that:

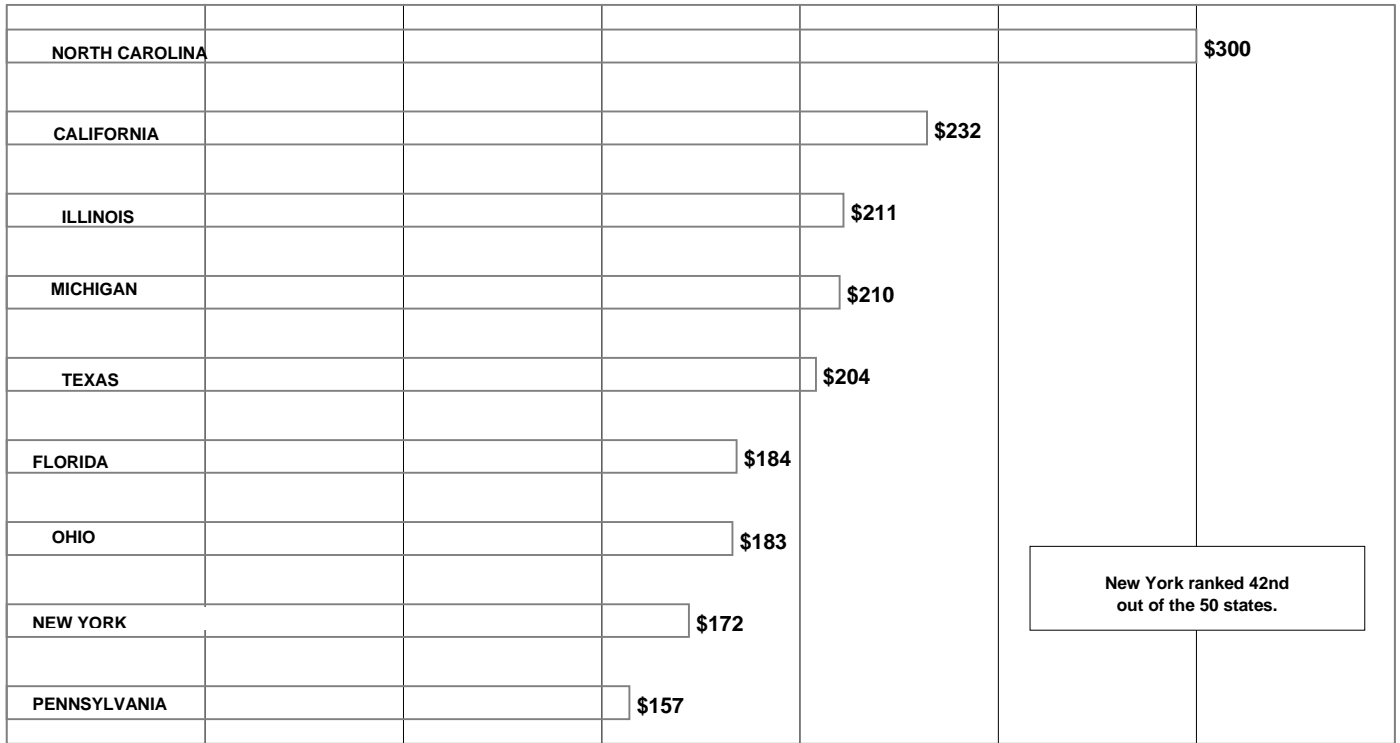
- real total revenue per student rose for all groups of institutions, as did gross tuition and fee revenue;
- real revenue per student from State and local government appropriations dropped for all groups of institutions except SUNY's community colleges, where they rose slightly; and
- real student-related expenditures per student rose in all groups except CUNY's community colleges.

Results: How New York compares

On selected indicators of student participation and progress in higher education, New York appears to perform at least as well as the nation as a whole. (**Table 1**)

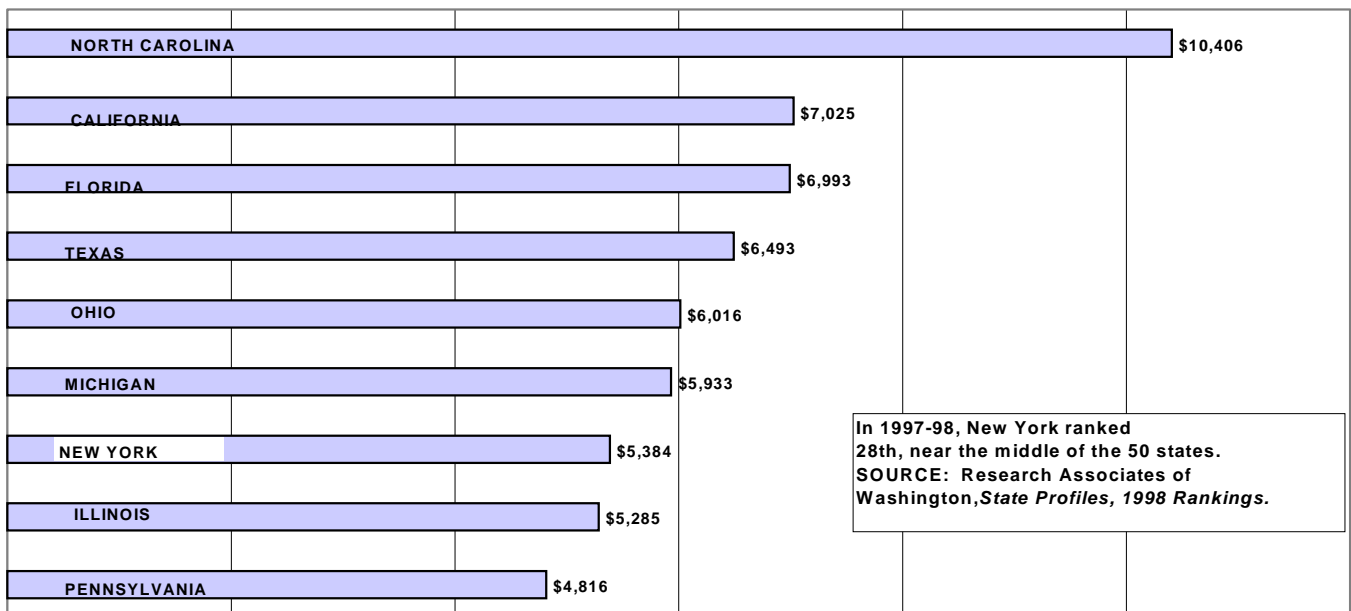
- We have the highest **college going rate** for high school graduates in the nation.
- Our **freshman-to-sophomore persistence rates** appear to be lower than the nation's at four-year institutions. If this finding is correct, it may be caused by high transfer rates within a system that offers more options to students than most other states. However, we caution against drawing conclusions from the data because 27 SUNY units did not provide persistence data in Fall 1997, the first year of the persistence rate survey.
- Our **graduation rate** compares favorably to NCAA Division I and Division II institutions for students seeking bachelor's degrees.
- We have a larger percentage of our **population with college degrees** than the nation as a whole.

Figure 1
FY 99-00 State Appropriations
for the Operating Expenses
of Higher Education Per Capita



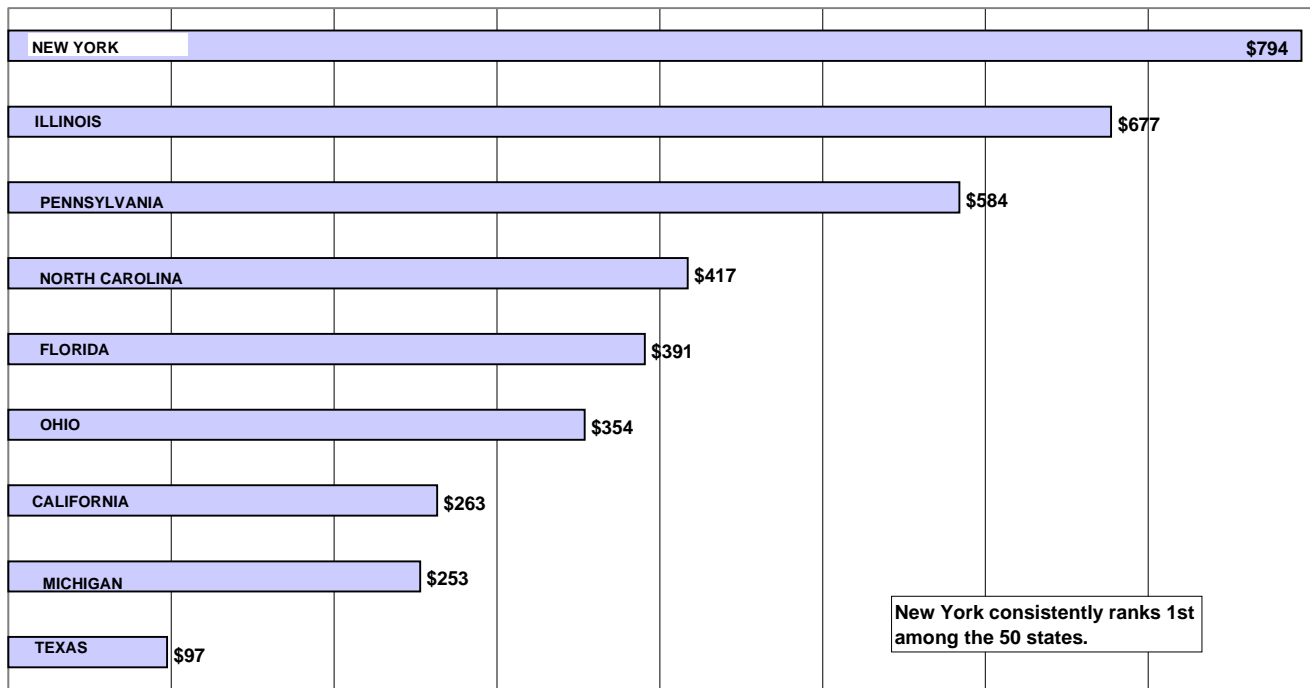
SOURCE: Illinois State University's *Grapevine*. Includes appropriations for institutions, student aid, special programs and administration.

Figure 2
Adjusted FY 99-00 State Appropriations
for the Operating Expenses
of Public Institutions per Public Sector FTE Student



SOURCE: Illinois State University's *Grapevine* and NCES's Digest of Education Statistics. **Includes** appropriations for institutions. **Does not include** appropriations for student aid, special programs and administration.

Figure 3
1998-99 Total Grant Aid Awarded
by State Grant Programs per FTE Student



SOURCES: National Association of State Student Grant and Aid Programs Annual Survey Report and NCES's Digest of Education Statistics

Figure 4
Independent Institutions
Revenue and Student-Related Expenditure Trends

SOURCE: IPEDS-F, IPEDS-EF

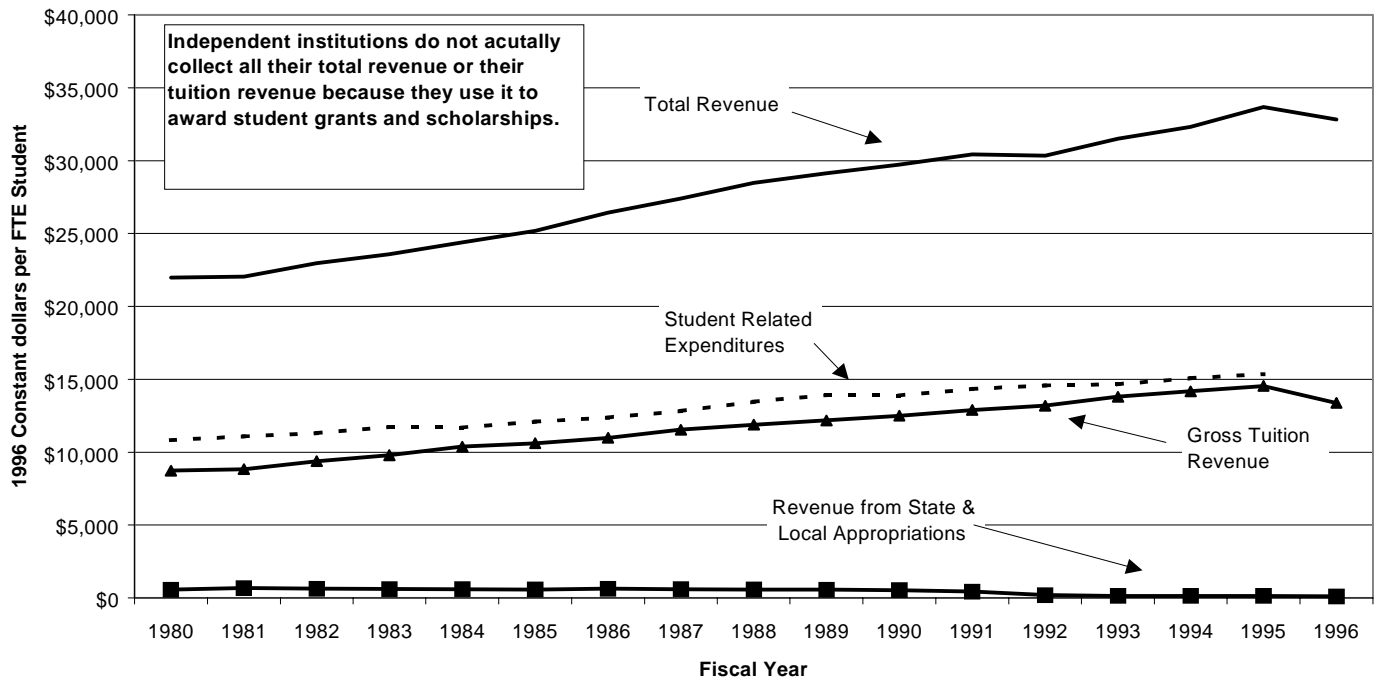


Figure 5
CUNY Senior Colleges
Revenue & Student-Related Expenditure Trends
 SOURCES: IPEDS-F, IPEDS-EF and CUNY

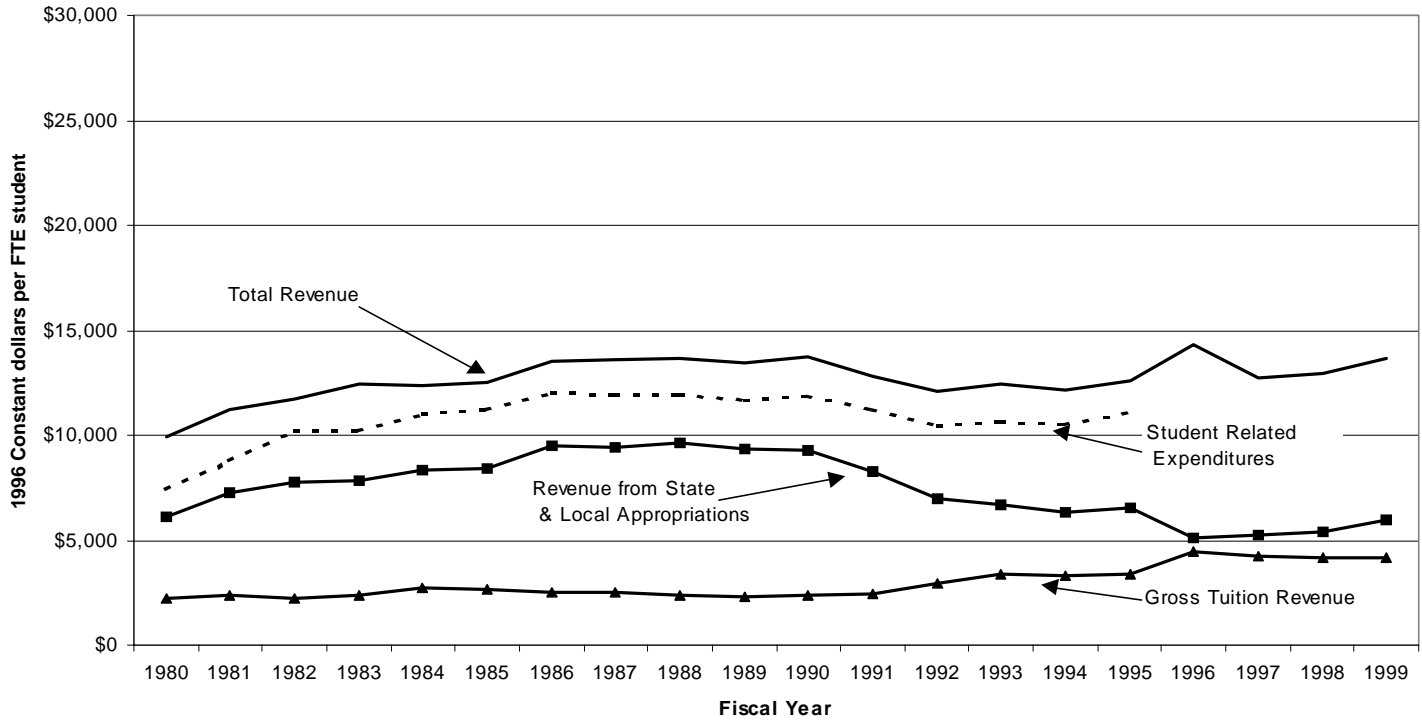


Figure 6
SUNY State-Operated Institutions
Revenue and Student-Related Expenditure Trends
 SOURCES: IPEDS-F, IPEDS-EF and SUNY

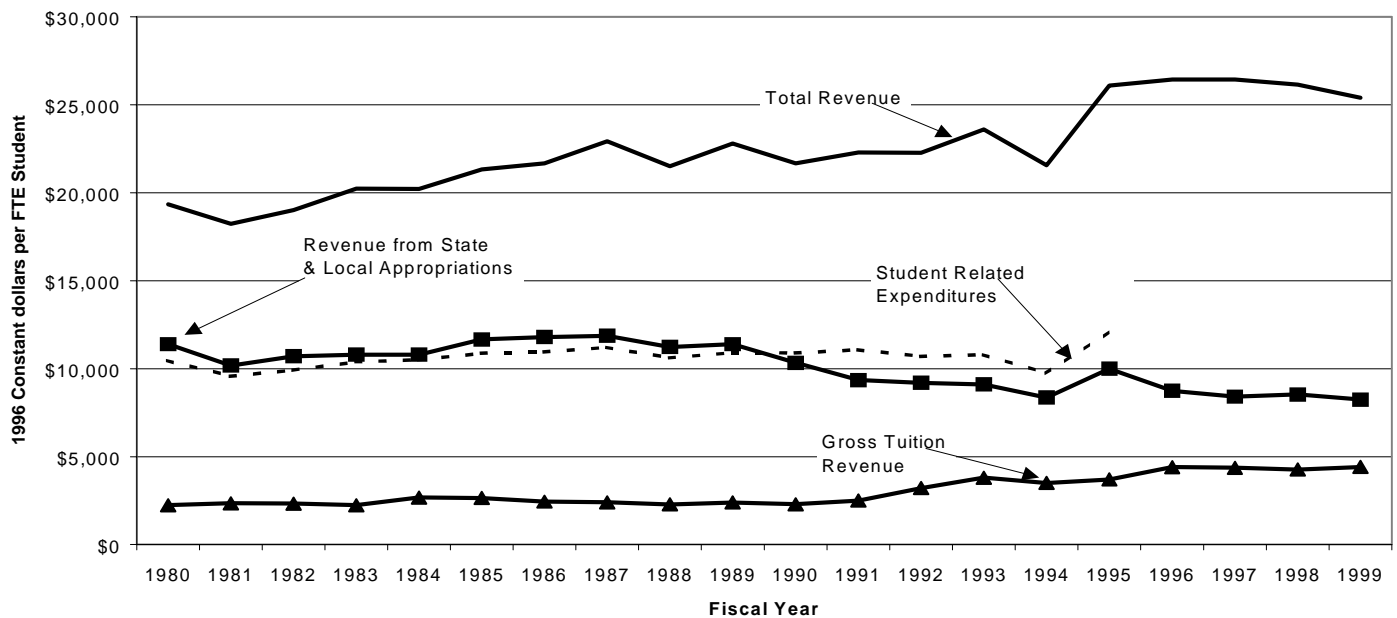


Figure 7
CUNY Community Colleges
Revenue & Student Related Expenditure Trends
 Sources: IPEDS-F, IPEDS-EF and CUNY

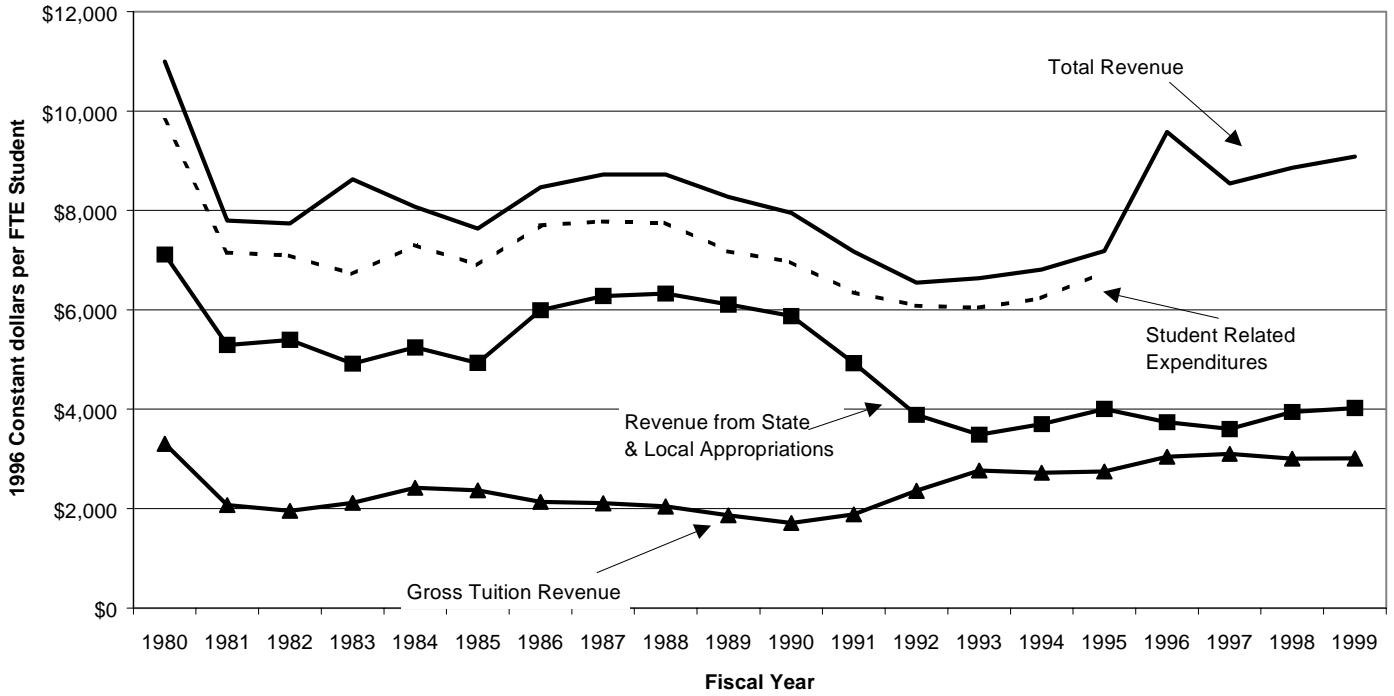
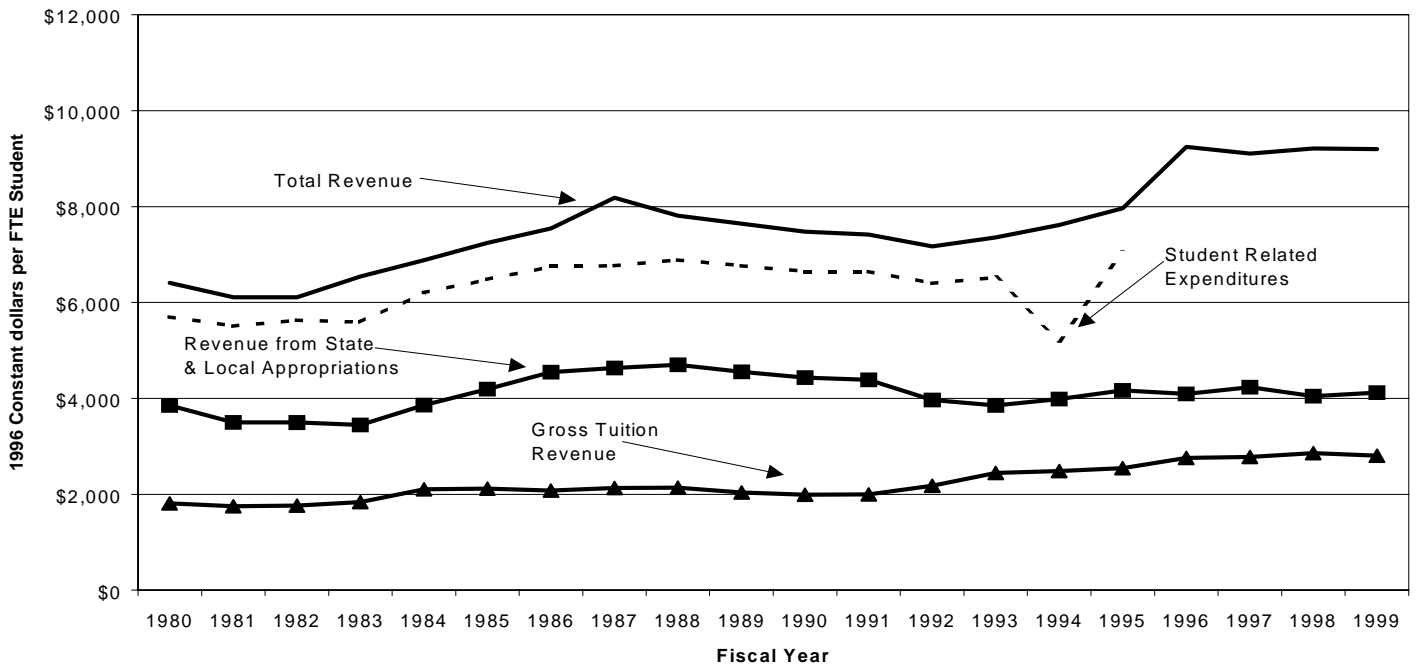


Figure 8
SUNY Community Colleges
Revenue & Student-Related Expenditure Trends
 Sources: IPEDS-F, IPEDS-EF and SUNY



**Table 1 – REVISED October 2000
Selected Indicators of Student Participation and Progress**

Indicator	New York State	United States
1 College continuation rates for high school graduates, 1996	71% (highest state in the U.S.)	59%
2 Freshman-to-sophomore persistence rates for full-time and part-time entrants in Fall 1996		
--Public 4-year institutions	--	72%
--SUNY 4-year institutions *	68%	--
--CUNY 4-year institutions	70%	--
--Private four-year institutions	67%	75%
--Public 2-year institutions	--	53%
--SUNY 2-year institutions*	54%	--
--CUNY 2-year institutions	62%	--
3 Graduation rates at same institution within 3 years for full-time freshmen initially seeking an associate's degree	25%	--
4 Graduation rates at same institution within 6 years for full-time freshmen initially seeking a bachelor's degree	58%	56% (NCAA Div I) 43% (NCAA Div II)
5 Percentage of the adult population in 1990:		
--With an associate degree or higher	30%	27%
--With a bachelor's degree or higher	23%	20%
--With a graduate degree	10%	7%

Data Sources and Definitions

1. National Center for Education Statistics data cited in *Postsecondary Education Opportunity*, March 1998, page 5. The college continuation rate is the percentage of fall 1996 first-time freshmen enrolled anywhere in the U.S. from a state as a percentage of 1995-96 public or private high school graduates in the state.
2. New York State data from NYSED-2R Fall 1997. U.S. data from ACT data, as cited in *Postsecondary Education Opportunity*, November 1999, pages 1-10. The freshmen-to-sophomore persistence rate is the percentage of freshmen enrolled in one fall term who were also enrolled at the same institution in following fall term. Asterisk (*) indicates that not all institutions are included.
3. New York State data from NYSED-2.9B, Fall 1997. The graduation rate is the percentage of first-time full-time freshmen initially seeking an associate's degree that graduated from their initial institution within three years.
4. New York State data from NYSED-2.9B. U.S. data from NCAA Division I and Division II, as published by the Chronicle of Higher Education, September 10, 1999. The graduation rate is the percentage of first-time full-time freshmen initially seeking a bachelor's degree that graduated from their initial institution within six years.
5. All data from the U.S. Bureau of the Census, as published in The Chronicle of Higher Education Almanac, 1999-2000, page 8.