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[Teaching](#)

[Publishing](#)

[Money](#)

[Government & Politics](#)

[Community Colleges](#)

[Science](#)

[Students](#)

[Athletics](#)

[International](#)

[People](#)

[Events](#)

[The Chronicle Review](#)

[Jobs](#)

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[Colloquy Live](#)

[Magazines & Journals](#)

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## State Lawmakers Again Cut Higher-Education Spending

### Half of the states reduce appropriations to public colleges

By WILL POTTER

The burning question for public-college officials these days: Can it get any worse?

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Last year, increases in state appropriations for higher education were the smallest in a decade. Now they have dropped yet again. As colleges eliminate faculty

and staff positions, restructure programs, and increase tuition, some say the 2003-4 fiscal year, which began in most states on July 1, may be the worst in memory for higher education. And then there's next year, which some public-college officials fear could be tougher yet.

Colleges have faced difficult times before, but this year is unlike the recessions of the early 1980s and 1990s, experts say. Last year, 37 states made midyear cuts to their budgets, totaling some \$14.5-billion, according to a report by the National Governors Association and the National Association of State Budget Officers. The cuts amounted to the deepest reduction in the 27-year history of the survey. The rainy-day funds that states put aside have dried up.

In a weak economy, higher education always bears a disproportionate share of state budget cuts, says Joseph C. Burke, who directs a program on public higher education at the Rockefeller Institute of Government at the State University of New York at Albany. Colleges are under an even heftier ax this year, as states confront increasing health-care costs.

In addition, tax cuts enacted during the flush late '90s are coming back to haunt state legislators. "It's very bad," Mr. Burke says. "The future looks bleak."

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About half of the states reduced spending on higher education in 2003-4, with an average cut of about 5 percent, according to the State Higher Education Executive Officers, a group based in Denver. The largest reduction was in Colorado, where lawmakers sliced 26 percent from the higher-education budget.

Appropriations for public colleges in Oklahoma, South Carolina, and Wisconsin were cut by about 10 percent each.

Eighteen states raised their higher-education budgets, although most of the increases were measly. The average gain was about 3 percent; in five states it was less than 1 percent. In a few states, the new dollars barely replaced budget cuts from the previous year. The largest percentage increases in higher-education spending came in New Mexico, where colleges saw their appropriations rise 7 percent, and in Louisiana and Arkansas, about 5 percent.

### **Tough Decisions**

Over all, in 2003-4, about \$1.2-billion was slashed from the \$42-billion the states spent on higher education last year. But budget officials with the higher-education executives group say that's a conservative estimate: California and New York, which also experienced substantial cuts, were not included in the results.

The University of Colorado system, faced with a \$44.8-million drop in state support, eliminated 500 staff and faculty positions, consolidated degree programs in journalism and engineering, and froze salaries. Students on the Boulder campus can no longer earn degrees in American studies, because of the small program's high administrative costs; its courses were absorbed by other departments. Some faculty members took salary reductions to save the jobs of their colleagues.

The cuts are the biggest the system has ever faced, says Stephen T. Golding, vice president for budget and finance. "It's an issue of looking at core programs in times of fiscal distress, and making tough decisions you normally wouldn't make," he says.

Colorado was hit harder than most states because of its limits on raising taxes and establishing reserve funds, Mr. Golding explains. The university system's largest tuition increase ever, 15 percent, has "helped mitigate some of the effect," he adds, but it couldn't entirely make up for the cuts in state spending.

College officials in Wisconsin say they have had to do much the same. The University of Wisconsin at Madison plans to offer about 300 fewer courses next year, eliminate faculty and staff positions, increase class sizes, and raise undergraduate tuition by \$700, to \$4,554. The campus faces an unprecedented \$38-million in cuts over the next two years, and administrators don't expect relief anytime soon, says Darrell Bazzell, vice chancellor for budget, planning, and analysis.

Wisconsin's cuts continue a steady decline in state support for the 26-campus university system, he says. In 2003-4, the system will receive 7 percent of the state's tax revenues, down from 9 percent last year. What's more, state funds will make up only about 27 percent of the system's total budget in 2003-4; three decades ago, those dollars accounted for about half of the budget.

"We are already anticipating further cuts," Mr. Bazzell says. "We know we can anticipate another deficit as early as next fiscal year. We're at a threshold where we are concerned what impact future cuts will have on the quality of the institution and access to the institution."

Administrators had hoped for an increase in state spending on student aid to ease the pain. Although lawmakers approved such an increase, it was paid for through the university's reserve account, part of which is made up of students' tuition dollars. As for using any of the state's rainy-day funds to avoid future cuts to higher education, Mr. Bazzell laughs at the thought. Those emergency funds, he says, are depleted to the point at which the state has only enough money "to buy a few people Happy Meals."

### **An Exception to the Rule**

During a budget year when most colleges aimed to just break even in the state legislature, New Mexico lawmakers seemed to do the impossible: The state increased spending on higher education by about 7 percent, the largest percentage increase in the country. A surge in student enrollment -- which partly determines how New Mexico distributes funds to higher education -- helped the colleges there.

"We're thankful we are doing so well compared to other states around us," says Margaret M. Lee, associate budget director at the University of New Mexico. "We don't think we're going to be doing wonderful for the next few years, but hope we won't get any cuts."

In several states, the sour economy has started to change the relationship between public colleges and their legislators, says Julie Bell, education program director at the National Conference of State Legislatures.

"There definitely is a pretty big policy shift beginning to happen," she says, where states are willing to give more autonomy to the institutions in exchange for giving them less money.

Ms. Bell cites the Texas Legislature's recent decision to give the state's public universities free rein over setting tuition rates, a move that lawmakers say will give the institutions the flexibility needed to fulfill state goals, as well as to help make up for the loss of state funds.

Tight budget times have also made states reluctant to tie financial support for public colleges to their performance, according to an annual report released in July by the Nelson A. Rockefeller Institute of Government at the State University of New York at Albany.

The number of states that used "performance funding," an approach that links state appropriations "directly and tightly" to how well public colleges meet certain standards, fell to 15 this year from 18 last year. The number of states that used "performance budgeting," which takes colleges' performance loosely into account in drafting state budgets, fell to 21 from 26.

Instead, states are turning to "performance reporting," in which reports on colleges' performance have no formal link to allocations of state funds. It's considered a "less controversial and less costly alternative," the report said.

### **New Approaches**

Unless states are able to sharply increase their revenues, colleges must begin "radically altering the way we do things," says Richard Novak, director of public-sector programs for the Association of Governing Boards of Universities and Colleges. That means reducing the number of programs, shifting some faculty members to part-time status, and using technology to cut costs.

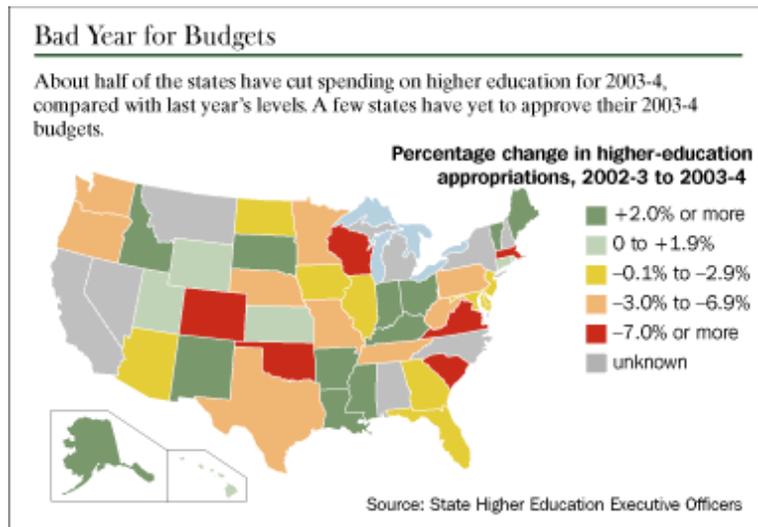
"The last recession wasn't deep enough, or didn't last long enough, to take restructuring to the level needed," he says. "We may come out of the other end of the tube with institutions looking very different."

The budget cuts may be felt most deeply by students, says Thomas G. Mortenson, a senior scholar at the Pell Institute for the Study of Opportunity in Higher Education, in Washington. Even as enrollment continues to climb, and a growing number of students come from low-income families, state spending on student aid has fallen, he says.

"We are putting together [state] budgets with baling wire, tape, and a lot of hope," he says.

Like many other higher-education experts, Mr. Mortenson says colleges won't see any relief from lawmakers until a few years after the economy improves, and that could be two or three years from now. Meanwhile, the states' costs for prisons and health care continue to increase, drawing money away from higher education.

"Nobody knows how to fix these problems," he says. "Locking up more and more people isn't working, and the health-care system isn't working. These problems aren't going away."



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