

Up and Down: Regents' Costs Rise, Funding Drops in Iowa

By Andrew Cannon

For decades, general recognition of broad societal dividends from public higher education has driven higher education policy and funding.¹ Generally, those dividends have been thought of in exclusively economic terms: higher individual earnings, increased income tax revenues and the like. Research suggests that the dividends of public higher education spill over into the social sphere as well: Higher education is correlated with robust democracies and civic engagement.²

In recent years, however, political and cultural forces have called into question the public role in supporting higher education.³ Partly as a result of those forces, along with the crunch on state budgets caused by recessions, state funding for public higher education has fallen nationwide.⁴

Iowa has not been immune to these trends. Since 1990, state support for higher education has declined precipitously. Students and their families have borne the brunt of this funding decrease, in the form of ever-rising tuition and fees.

Just in the past decade, the decrease in state appropriations and the increase in student tuition have been startling. Between Fiscal Years 2000 and 2011, appropriations for Iowa's three public universities decreased by nearly 40 percent, after accounting for inflation. To make up for lost state support, Iowa's public universities have demanded students and their families to cover a larger share of the cost, with tuition for the average Iowa student increasing by more than 75 percent over the same period.⁵ This brief provides further information on the changing revenue fortunes of Iowa's public universities, and other changes to post-secondary public education. In a separate brief, we will examine community colleges, tuition grants and workforce programs, important parts of higher education.

State appropriations to Regents' institutions

Iowa's public universities perform a wide variety of functions, and thus have a wide variety of revenue streams. Iowa State University trains hundreds of veterinarians each year and provides agricultural expertise to Iowa's farmers. The University of Iowa's health care system provides world-class health services to Iowans across the state, and educates hundreds of future physicians each year. The University of Northern Iowa administers the Regional Business Center, which aims to help small businesses throughout the state.

And any sports fan can tell you that each university has a wide array of athletic programs.

In this brief, "state appropriations" refers only to state funds that provide support for the educational function of the universities, unless otherwise noted. State funds for health care initiatives, veterinarian or agricultural initiatives, economic development initiatives, athletic programs and other non-education university functions are specifically appropriated for their particular function, and are not included in our count of state appropriations.

State appropriations figures cited in this paper rely on the annual appropriation made by the Legislature to the general university fund of each institution. The general university fund is the repository for state appropriations, student tuition and fees, administrative portions from federal research grants, and interest from investments.

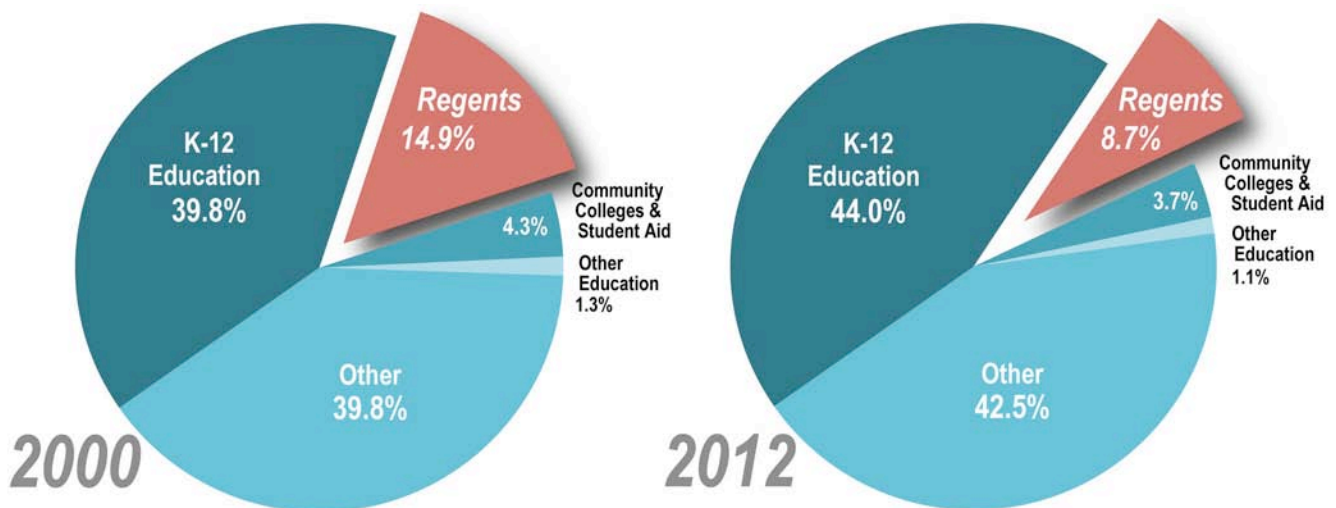
State Funding Trends

Iowa's public universities have diverse revenue streams. They rely on federal and private grants for research, private donations, corporate donations and sponsorships, ticket sales from sporting events, sales of services, interest from investments and a host of other streams. However, state aid and student tuition and fees are by far the most significant sources of income to universities, particularly as they primarily fund the instructional functions of the university.

For decades, Iowa lawmakers have agreed that public education — from kindergarten to community colleges to universities — merited significant state investment. During its annual session, the Iowa General Assembly appropriates funds to the Iowa Department of Education, Iowa's public universities — Iowa State University, the University of Iowa, and the University of Northern Iowa, the Board of Regents (which administers the Iowa School for the Deaf, the Iowa School for the Blind, as well as Iowa's three public universities) — community colleges, a tuition grant program for private colleges, local school districts, and other education agencies and institutions.

While overall education funding has hovered around 60 percent of total General Fund appropriations, the share of the state budget going to Iowa's public universities has steadily eroded. Figure 1 shows that while funding for other education initiatives has increased as a share of the budget, General Fund appropriations for all Board of Regents institutions and functions (including the Schools for the Deaf and Blind) have decreased from 14.9 percent to 8.7 percent of the total.

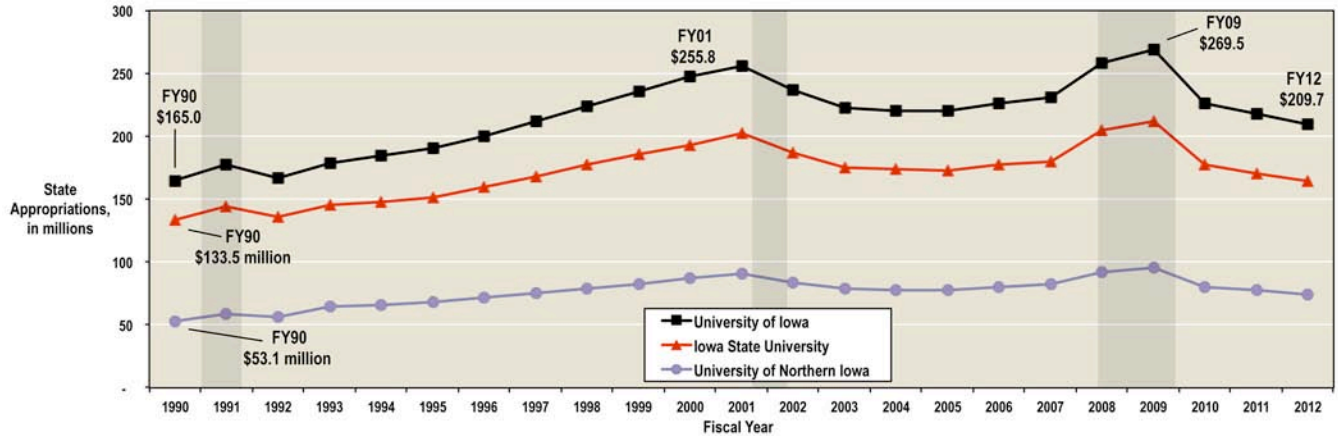
Figure 1. Regents Funding, as Share of General Fund Budget, Has Decreased Since FY2000



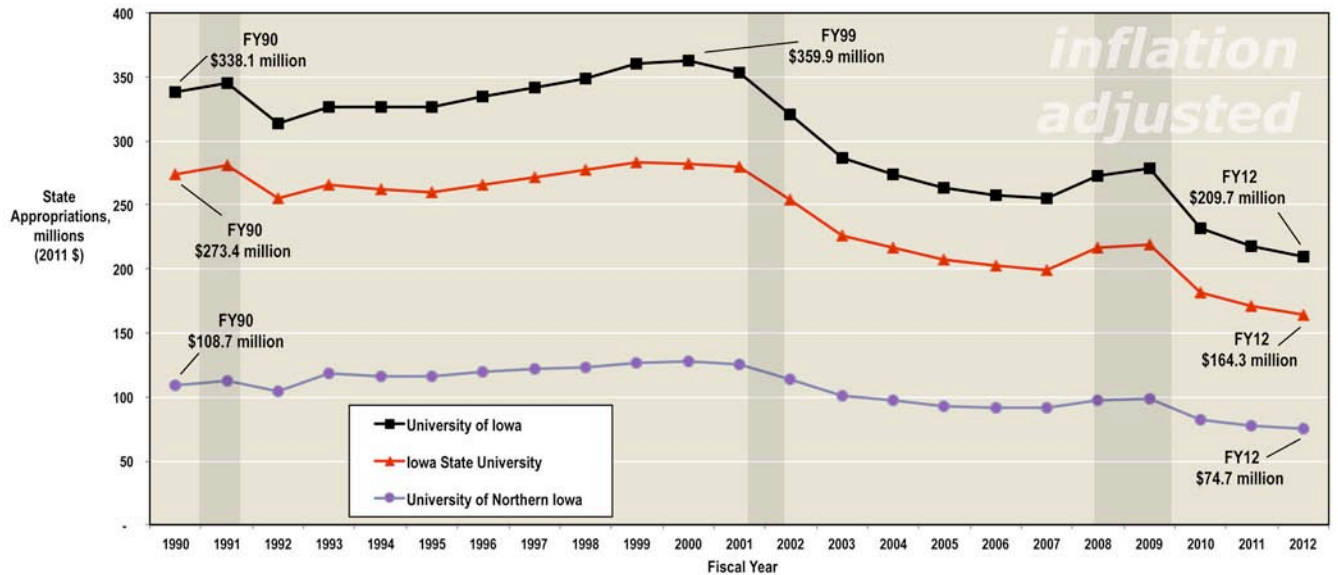
Source: Legislative Services Agency, Fiscal Division.

While a 6 percentage-point change in funding might not sound like much, it has meant hundreds of millions of dollars less for Iowa's public universities. Even before adjusting for inflation, all three of Iowa's public universities received fewer General Fund dollars in FY12 than they had in any year since FY1996. University funding also appears to be responsive to broader economic trends, a finding consistent with national public higher education funding trends.⁶ Following the recession that began in November 2001, state funding for Iowa's universities decreased dramatically and had only just recovered to pre-2001 levels when the most recent economic downturn struck. Figure 2 illustrates the change in funding for Iowa's public universities in nominal (unadjusted) dollars; Figure 3 illustrates the funding change in 2011 dollars.

Figures 2 & 3. State Higher Education Funding Dropping, Whether Adjusted for Inflation or Not



Note: Shaded areas represent recessions.
Source: Legislative Services Agency, Fiscal Division.



Note: 2011 dollars, adjusted using Higher Education Price Index (HEPI). Shaded areas represent recessions.
Source: Legislative Services Agency, Fiscal Division and Commonfund.

Making the decline in state support even worse has been the steady increase in enrolled students at each of Iowa’s public universities.⁷ Table 1 shows the dual effect of declining state general university support and swelling enrollment. State support per student has declined on average by nearly half between 1990 and 2011.

Tuition Trends

Unsurprisingly, universities have of necessity sought alternative sources of funding. The only stream large enough to meet that need is that generated by students: tuition and student fees.

Even when adjusted for inflation, average tuition at one of the state’s three universities has increased by more than 75 percent from the 1990-

Table 1. State General Support Per Student Down Dramatically In Constant (2011) Dollars

Fiscal Year	Iowa State University	University of Iowa	University of Northern Iowa
1990	\$10,790	\$12,054	\$8,599
2011	\$5,706	\$7,045	\$5,889

Note: 2011 dollars. Adjusted using HEPI.
Source: Legislative Services Agency, Fiscal Division and Commonfund.

91 to the 2011-12 school year. Table 2 compares the cost of tuition at each of Iowa’s universities in constant 2011 dollars. Additional student fees, which have also increased significantly over the past two decades, are not included in Table 2, making the figures below very conservative estimates.

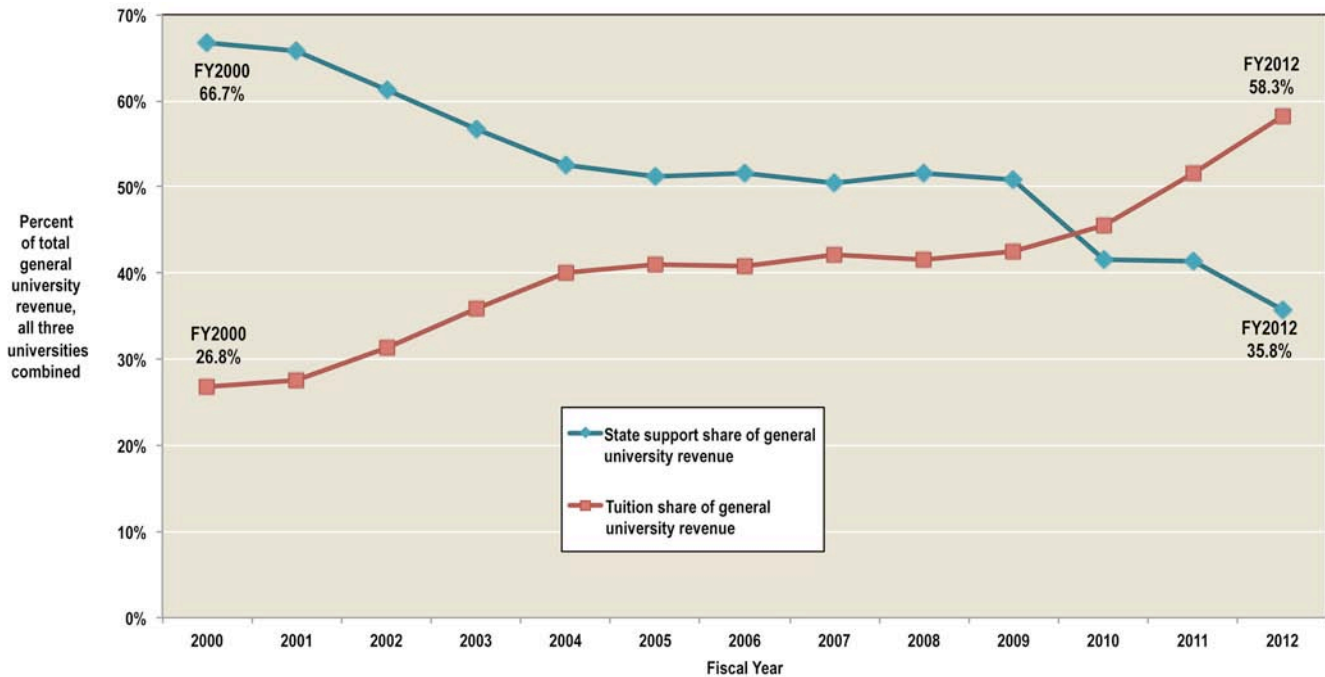
Perhaps even more telling is the extent to which universities rely on student tuition and fees today contrasted to previous years. Going back to the early '90s, tuition merely supplemented state general university support. In the past decade, however, as Figure 4 illustrates, student tuition and fees have become the principal source of revenue for Iowa’s universities, with state support merely supplementing. Figure 4 illustrates the combined revenue picture for Iowa’s three public universities; while the picture varies somewhat at each individual institution, the trend of tuition becoming the predominant source of revenue holds true for each institution.

Table 2. Tuition at Each Regents’ Institution Has Risen Dramatically

School Year	Iowa State University	University of Iowa	University of Northern Iowa
1990-91	3,659	3,659	3,659
2000-01	4,016	4,016	4,016
2011-12	6,408	6,436	6,658

*Note: 2011 dollars. Adjusted using HEPI.
Source: Legislative Services Agency, Fiscal Division and Commonfund.*

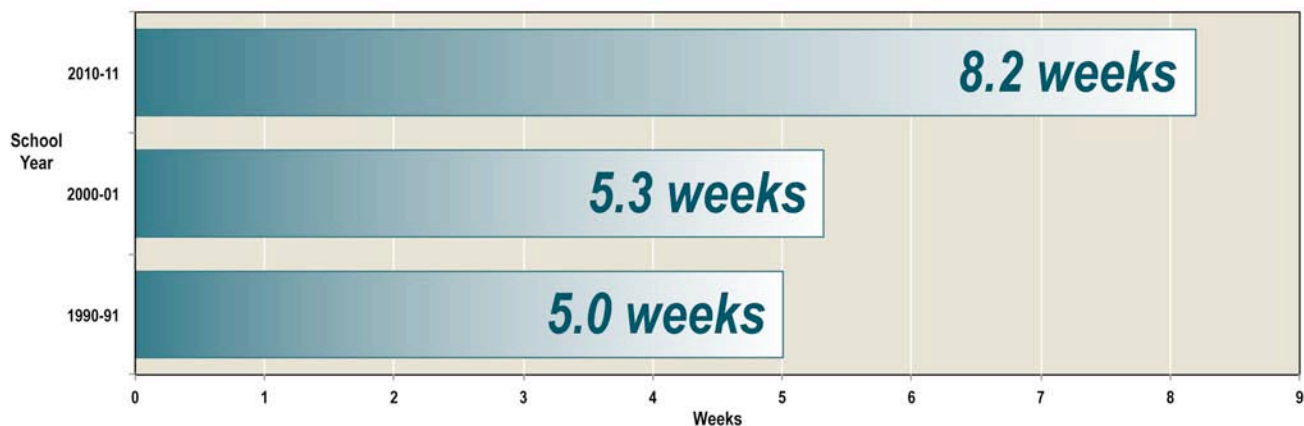
Figure 4. Tuition Now Primary Revenue Source for Iowa’s Universities



Source: Iowa Board of Regents

The shift of the burden of higher education costs — from a shared investment to an individual one — has significant implications for Iowa students and families. Figure 5 shows how the decrease in state funding affects students and their families. For the 1990-91 and 2000-01 school years, it would have taken about five weeks of work at the statewide average weekly wage to have covered a semester’s worth of in-state, undergraduate student tuition. By the 2010-11 school year, flagging state funding for Iowa’s public universities had increased that to over eight weeks.

Figure 5. Cost of Semester Tuition Growing as Measured by Weeks at Average Wage
Iowa Regents Institutions, 1990-91, 2000-01, 2010-11



Conclusion

Concerns about tuition are not idle; it has indeed risen rapidly over the past two decades. Iowa’s public universities have come to rely on student tuition and fee revenues to an unprecedented extent. But such discussions that neglect the flagging state support for Iowa’s Board of Regents institutions merely scratch the surface.

Governor Branstad has set ambitious and worthy goals for the state, including creating 200,000 new jobs for Iowans and increasing family incomes by 25 percent.⁸ Neither of these will be achievable unless Iowa’s universities continue to produce and attract top talent. Iowa’s universities can do neither of those without adequate funding.

While Iowa’s universities can and should find ways to keep their costs down, as President Obama exhorted in his 2012 State of the Union address,⁹ meeting the Governor’s ambitious goals and continuing to provide a high-quality, affordable education to Iowans will not be done without a recommitment by the state lawmakers to adequately fund higher education.

¹ Philip G. Altbach, Liz Reisberg and Laura E. Rumbley, “Trends in Global Higher Education: Tracking an Academic Revolution,” UNESCO 2009 World Conference on Higher Education. <<http://graduateinstitute.ch/webdav/site/developpement/shared/developpement/cours/E759/Altbach,%20Reisberg,%20Rumbley%20Tracking%20an%20Academic%20Revolution,%20UNESCO%202009.pdf>>.

² Brian Pusser, “Reconsidering Higher Education and the Public Good: the Role of Public Spheres,” in *Governance and the Public Good*, William G. Tierney, ed. State University of New York Press, 2006. Enrico Moretti, “Estimating the social return to higher education: evidence from longitudinal and repeated cross-section data,” *Journal of Econometrics*, 2004. <<http://elsa.berkeley.edu/~moretti/socret.pdf>>.

³ Christopher Newfield, “Unmaking the Public University,” Cambridge, MA: Harvard University Press, 2008.

⁴ See Grapevine Summary Tables, Fiscal Year (FY) 2011-12, Center for the Study of Education Policy, Illinois State University. <<http://grapevine.illinoisstate.edu/tables/index.htm>>.

⁵ Author’s calculations of figures from State Factbook, 1990-2011, Legislative Services Agency (LSA), Fiscal Division. <<https://www.legis.iowa.gov/LSAReports/factbook.aspx>>. Figures inflated using Commonfund’s Higher Education Price Index (HEPI). See Commonfund, 2010 Higher Education Price Index Report. <http://www.commonfund.org/CommonfundInstitute/HEPI/HEPI%20Documents/2010/CF_HEPI_2010.pdf>.

⁶ “Losing Ground: A National Status Report on the Affordability of American Higher Education,” The National Center for Public Policy and Higher Education, 2002. <http://www.highereducation.org/reports/losing_ground/affordability_report_final_bw.pdf>.

⁷ State Factbook, 1990-2011, LSA, Fiscal Division.

⁸ Goals, Office of the Governor, Accessed March 5, 2011. <<https://governor.iowa.gov/goals/>>.

⁹ Remarks by the President in the State of the Union Address, The White House, January 24, 2012. <<http://www.whitehouse.gov/the-press-office/2012/01/24/remarks-president-state-union-address>>.