CHANGING DIRECTION

Integrating Higher Education Financial Aid Policy & Finance Policy

Workshop for Legislative Staff

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Financing higher ed – why before how

State’s goals

For students
- Opportunity for all who are able
- A productive workforce
- A high quality of life

For institutions
- An economic engine
- Public service institutions dedicated to promoting the public good

Achieved cost effectively
State Policy Objectives

- High Rates of High School Completion of Students Who Have Taken an Academically Rigorous Curriculum
- High Levels of College Participation of Both Recent High School Graduates and Adult Learners
- High Rates of College Degree Completion
- High Levels of Degree Production inSelected Fields
- An Economy That Employs a High Proportion of College Graduates
Percent of Adults with an Associate or Higher Degree

OECD Countries

Source: Prepared by NCHEMS from Organization of Economic Cooperation and Development, American Community Survey
Differences in College Attainment (Associate and Higher) Between Young and Older Adults—Percent of Adults with College Degrees

Source: Prepared by NCHEMS from U.S. Census Bureau, 2000 Census data
OK – HOW! (The Flow of Funds)
The flow of funds for instruction

- Economy
- Tax revenues
- Income
- Student aid
- Tuition
- Scholarships & waivers
- Student aid (restricted)
- Appropriations/grants
- Tuition

State and Local Government

Students

Institutions

Federal Government

Source: modified from NCHEMS original
General approach: Appropriation leads, Tuition follows, Financial Aid fills in.

Desired approach: Policies in sync, ATFA.

Appropriations, tuition, and financial aid policies working intentionally together.
What makes good ATFA policy

- Resource allocations reinforce state priorities, not ...
- Resources sustain (and may even enhance) institutional capacity
- Resource allocations make higher ed affordable
  - To students, and
  - To state
- Resource allocations are fair
  - Shared contributions reflect shared benefit
- Resource policies are transparent
  - Legislators understand them
  - Citizens understand them
  - Providing institutions understand them
Different strokes for different folks

- The state’s objectives
  - Adequate to excellent institutional capacity
  - Productivity meeting state’s needs
  - Provided as cheaply as possible
Different strokes for different folks

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  - Productivity meeting state’s needs
  - Provided as cheaply as possible
- Student’s
  - Value
  - Affordability
Why Students Wonder!

Is “The Product” Improving by 1% Per Year?

Net tuition
Instructional appropriation

Different strokes for different folks

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- Institution’s
  - Fair treatment
  - Stability
  - Both sustaining and enhancing support
Why Higher Education Wonders!

Just look at our diminishing share of state resources

Maintaining 7.3% high point: $21 billion


Author’s calculations based on data from Center for Higher Education and Educational Finance; Bureau of the Census, Department of Commerce.
And, it's more than just the size of the pie!

State appropriations for higher education per $1,000 of personal income

Maintaining $8.53/$1,000 high point: $13 billion


Author’s calculations based on data from Center for Higher Education and Educational Finance; Bureau of the Census, Department of Commerce.
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The domain of state-level allocation decisions

- State
  - Higher Education
    - Student financial aid
      - Students
        - Tuition
        - Institutional aid
    - Appropriations
      - Institutions
      - Other Programs/Agencies

Amounts and Allocation criteria
Source: NCHEMS
ATFA appropriations – allocation and amount

- Allocation
  - Base plus
  - Formula funding
  - Performance funding
  - Investment funding

- Amount – is enough ever enough?
Performance Relative to Total Funding per FTE—State Higher Education Systems

Undergraduate Credentials Awarded (2001-02) per 100 FTE Undergraduates, Fall 2001

Total Funding per FTE (State, Local, Tuition & Fees, State Financial Aid—Adjusted for COL and Faculty Salaries)
ATFA Tuition

- Ad hoc tuition policy
  - Incremental increases
  - Politically derived increases
- Rational tuition policy
  - Index-derived increases
  - Gap-filling increases
- Seldom, however, are tuition and appropriations policies in sync
State: out of sync
Federal – an unintentional partner, if a partner at all
Institutional
  Filling the “need gap”
  Or not
  The new infatuation with merit aid
Relationship between “need-based” and “merit-based” aid

- Need-based
- Merit-based
The states’ recent redirection

<table>
<thead>
<tr>
<th>Type of aid</th>
<th>FY 1998</th>
<th>FY 2003</th>
<th>Change in $</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need-based</td>
<td>$2,786</td>
<td>$4,230</td>
<td>$1,444</td>
<td>52%</td>
</tr>
<tr>
<td>Non-need-based</td>
<td>$ 603</td>
<td>$1,554</td>
<td>$ 951</td>
<td>158%</td>
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</tbody>
</table>
Percentage of full-time undergraduates enrolled in 4-year institutions who received institutional aid and the average amount received in constant 1999 dollars, by income quartile: 1992-93, 1995-96, and 1999-2000

Requisites of integrating higher ed policy

- Clear understanding of state’s priorities
  - By all stakeholders
- Adequate capacity to do the job
- ATFA – policy alignment
- Respect
- Oh yes; there are a couple caveats
First Caveat: One size doesn’t fit all
Demands of Demography Vary Hugely
The Financing Context: Structural Deficits for Everyone

State and local surplus or shortfall as a percent of baseline revenues

Source: National Center for Higher Education Management Systems (NCHEMS)
Total Educational Funding per FTE, Percent Change by State, FY 1991-2004

Notes: Total Educational Funding is the sum of Educational Appropriations plus Net Tuition Revenue. Constant 2004 dollars adjusted by SHEEO HECA.
Source: SHEEO SHEF
Your Path To Chose:
To sync or sink

- Good Luck
- Good Planning
- Remember – intentionality matters
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ATFA
Three Policies in One

www.wiche.edu