

NCPPE BOARD
MEETING:
Chicago
June 15, 2005

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Executive Director
Western Interstate
Commission for
Higher Education

A Tale of Two Pities :

*The Story of Public
Higher Education
Finance in America*



A Tale of Two Pities

- It was the best of times ...
- It was the worst of times ...

A Tale of Two Pities

- It was the best of times, it was the worst of times,
- It was the age of wisdom, it was the age of foolishness,
- It was the epoch of belief, it was the epoch of incredulity,
- It was the season of Light, it was the season of Darkness,
- It was the spring of hope, it was the winter of despair. . .

The First Pity

Isn't it a pity that . . .

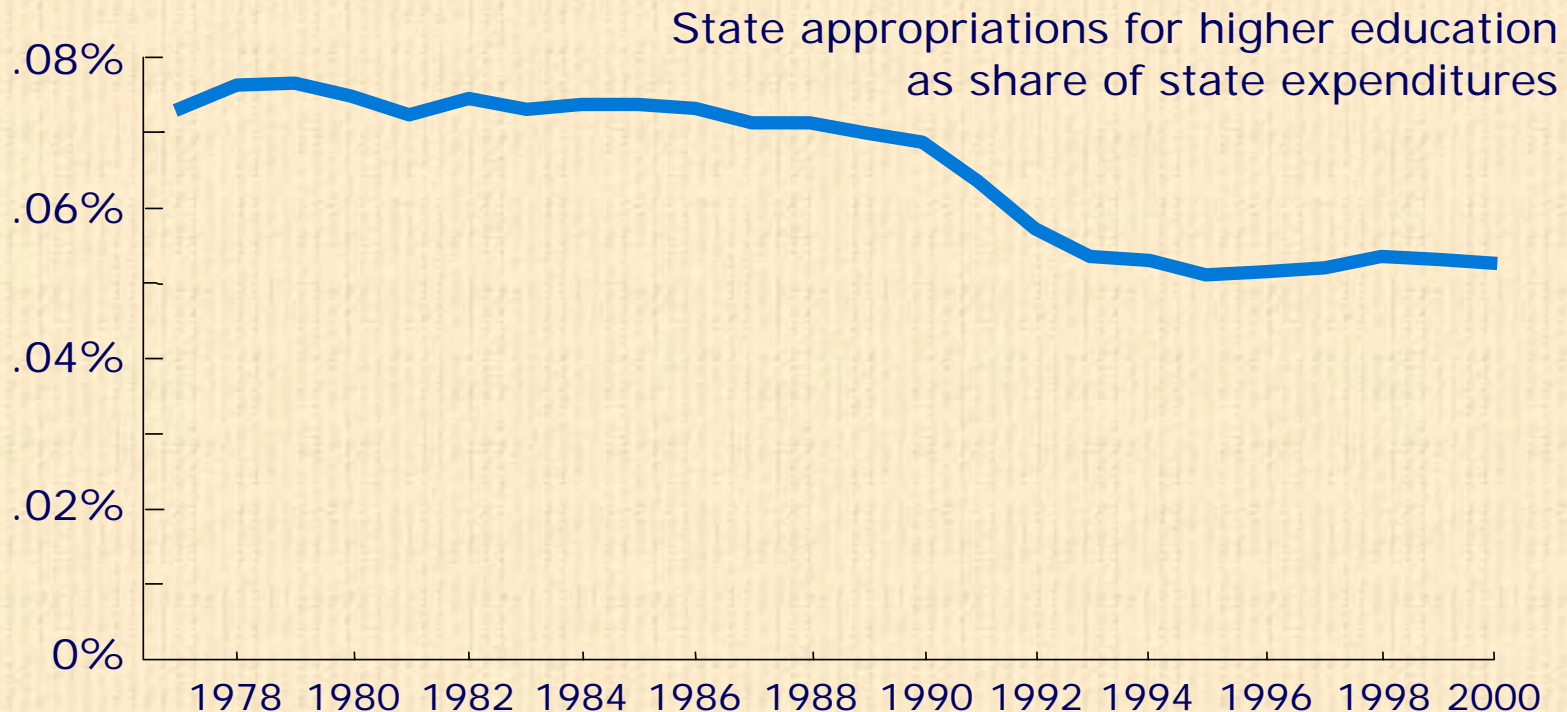
They Don't Love Us Any More!

- With ***they*** being ***policy makers***, and
- ***Us*** being ***higher education***

From higher education's perspective – why don't they love us like they used to



Just look at our diminishing share of state resources

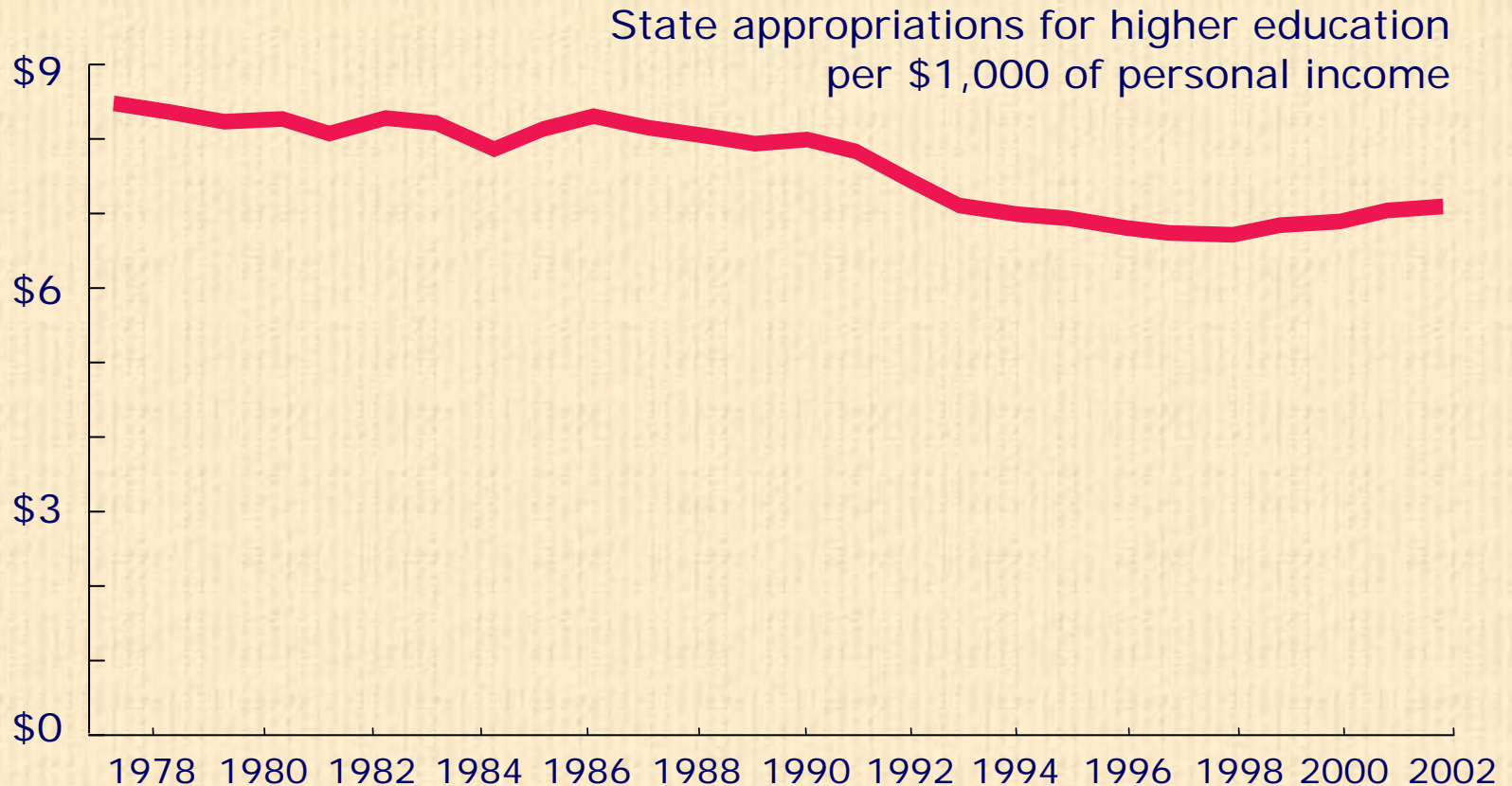


Maintaining 7.3% high point : \$21 billion

Source: *State Fiscal Constraints and Higher Education Spending: The Role of Medicaid and the Business Cycle*, Thomas J. Kane, Peter R. Orszag, David L. Gunter, April 2003.

Author's calculations based on data from Center for Higher Education and Educational Finance; Bureau of the Census, Department of Commerce.

Just look at our diminishing share of state funding per \$1,000 of personal income

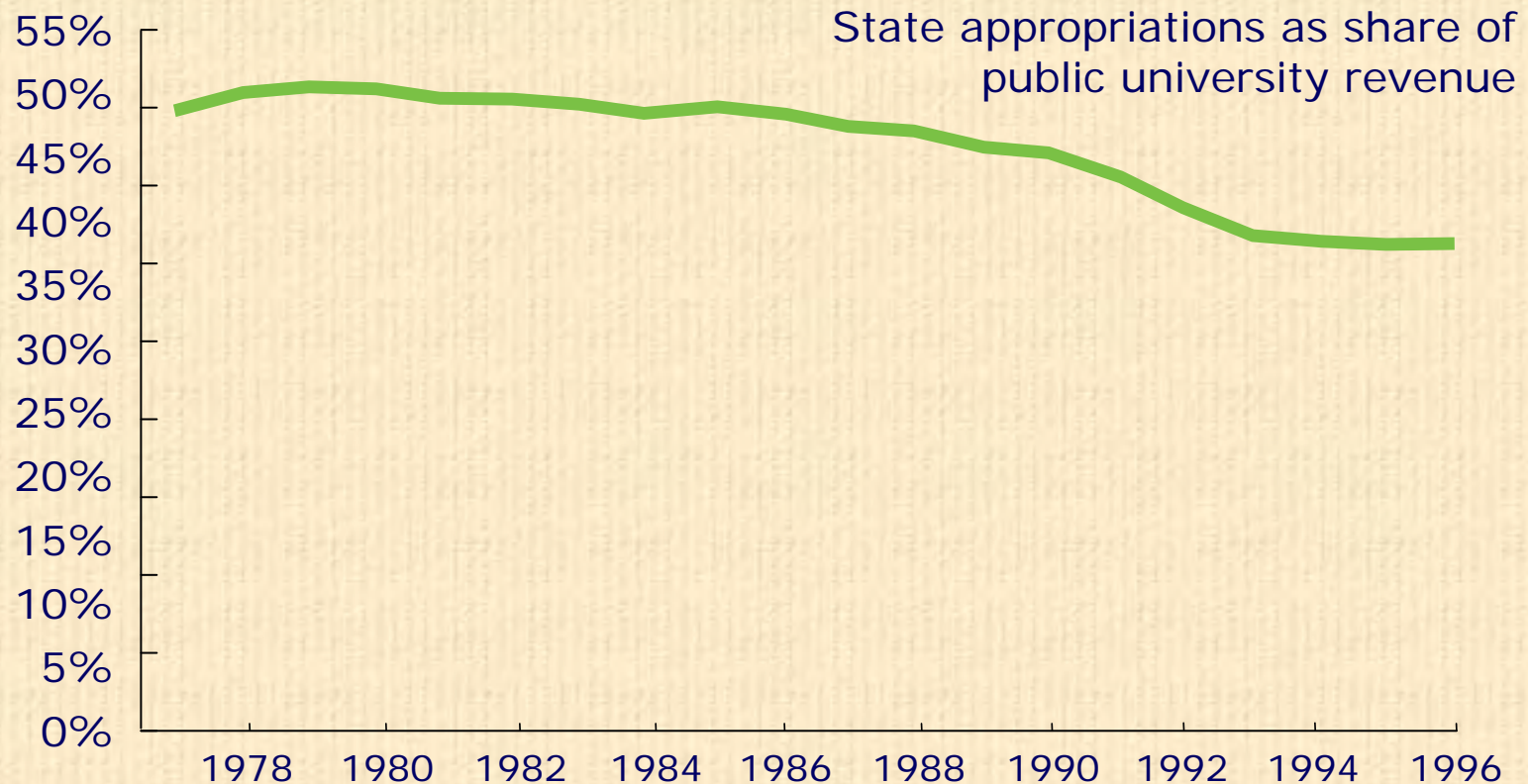


Maintaining \$8.53/\$1,000 high point : \$13 billion

Source: *State Fiscal Constraints and Higher Education Spending: The Role of Medicaid and the Business Cycle*, Thomas J. Kane, Peter R. Orszag, David L. Gunter, April 2003.

Author's calculations based on data from Center for Higher Education and Educational Finance; Bureau of the Census, Department of Commerce.

Just look at the declining share of higher education resources coming from the state



Maintaining the 1977 46.5% share : \$13 billion

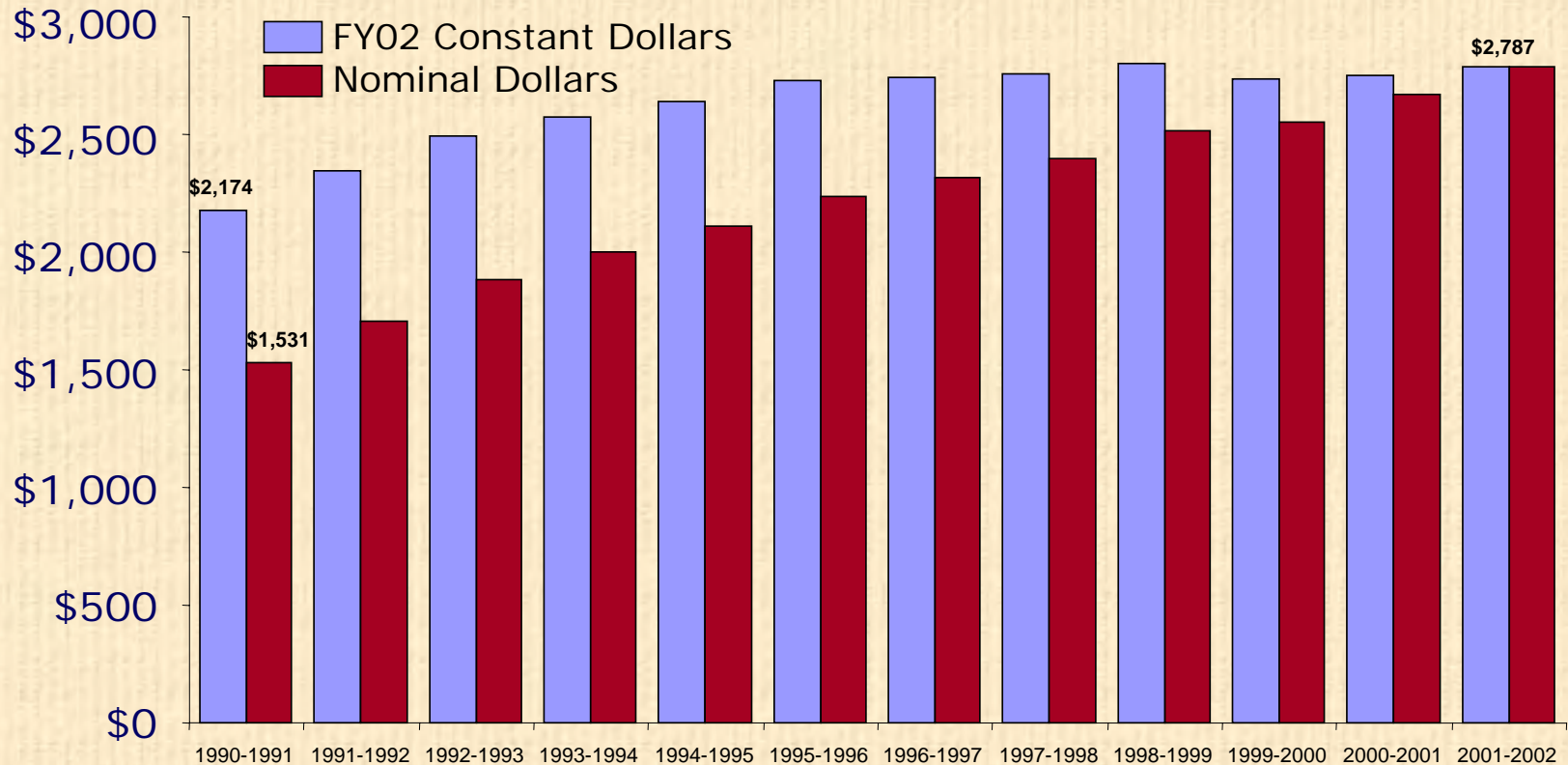
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Reductions in state support have forced increases in tuition



Net tuition per FTE, U.S., FY1991 to FY2002
in nominal and constant dollars



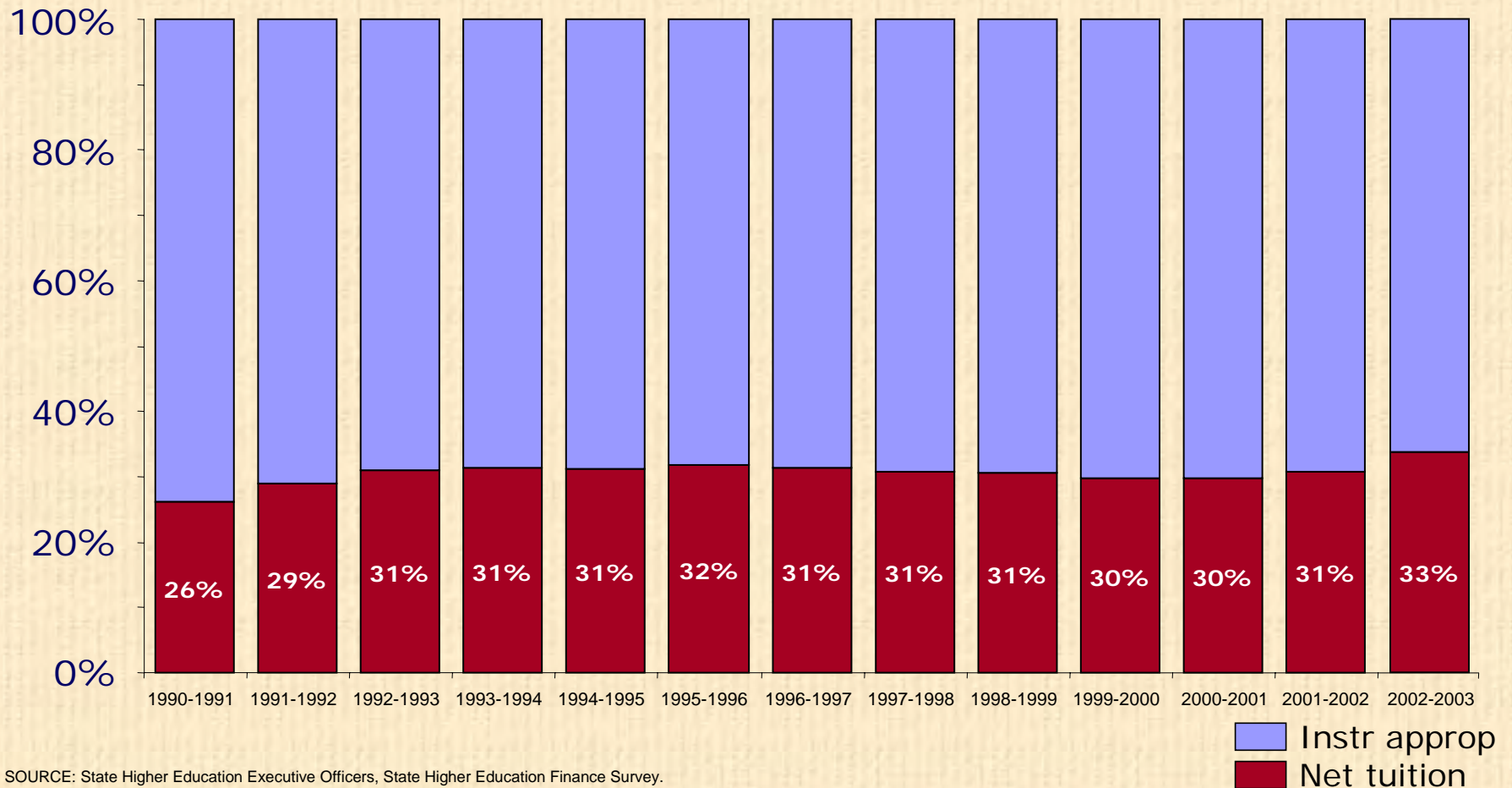
NOTES:

- (1) Net Tuition = Gross tuition & mandatory fees minus discounts, fee waivers, and state student financial aid.
- (2) Dollars adjusted to 2002 with the SHEEO Higher Education Cost Adjustment.

SOURCE: State Higher Education Executive Officers, State Higher Education Finance Survey.

Reductions have forced greater reliance on tuition revenue

Net tuition per FTE, U.S., FY1991 to FY2002
in nominal and constant dollars



SOURCE: State Higher Education Executive Officers, State Higher Education Finance Survey.

Furthermore, the states are not supporting need-based aid

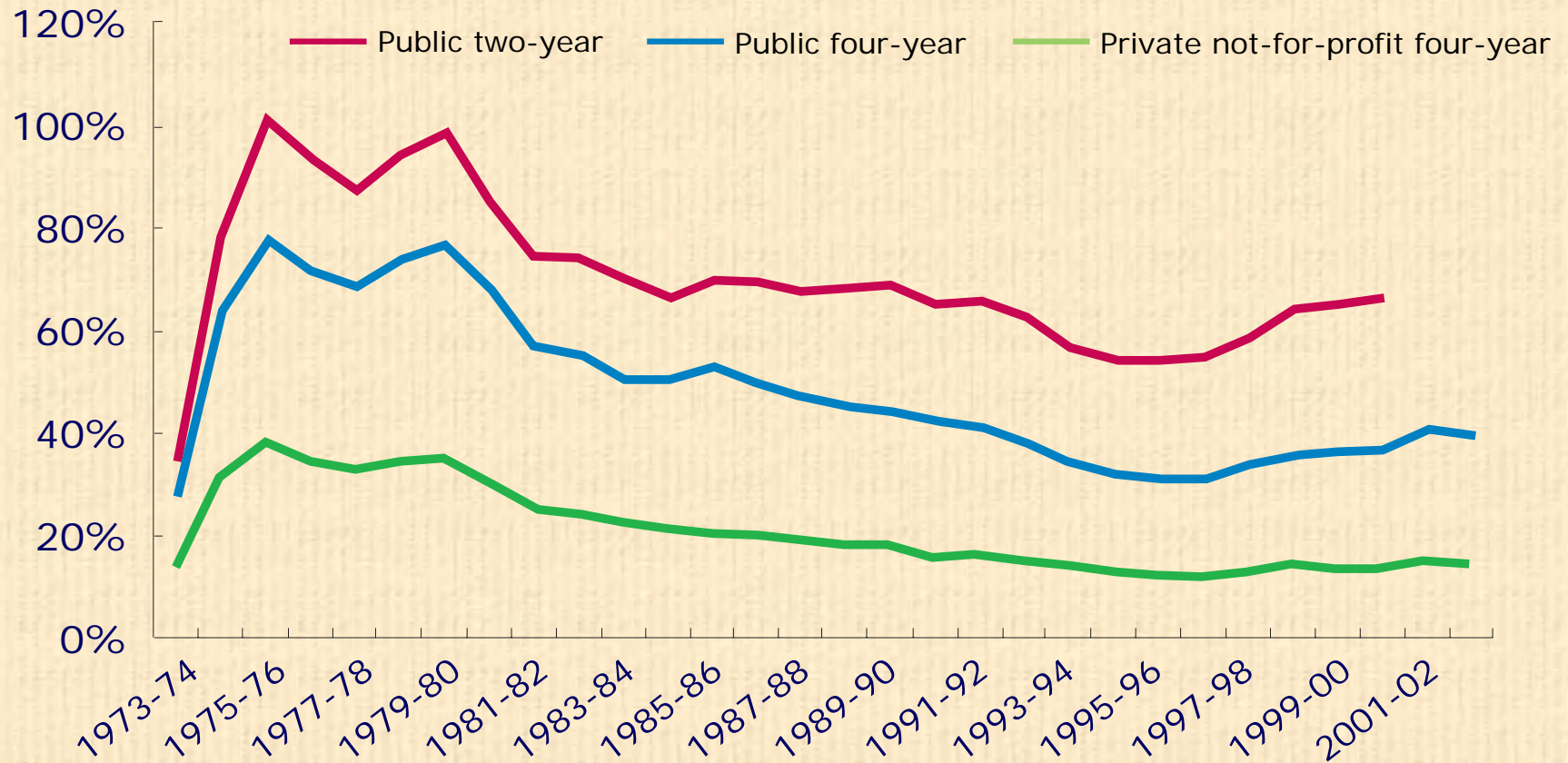


Type of aid	FY 1998	FY 2003	Change in \$	Change in %
Need-based	\$2,786	\$4,230	\$1,444	52%
Non-need-based	\$603	\$1,554	\$ 951	158%

And the Feds are no better – the value of Pell has atrophied over time



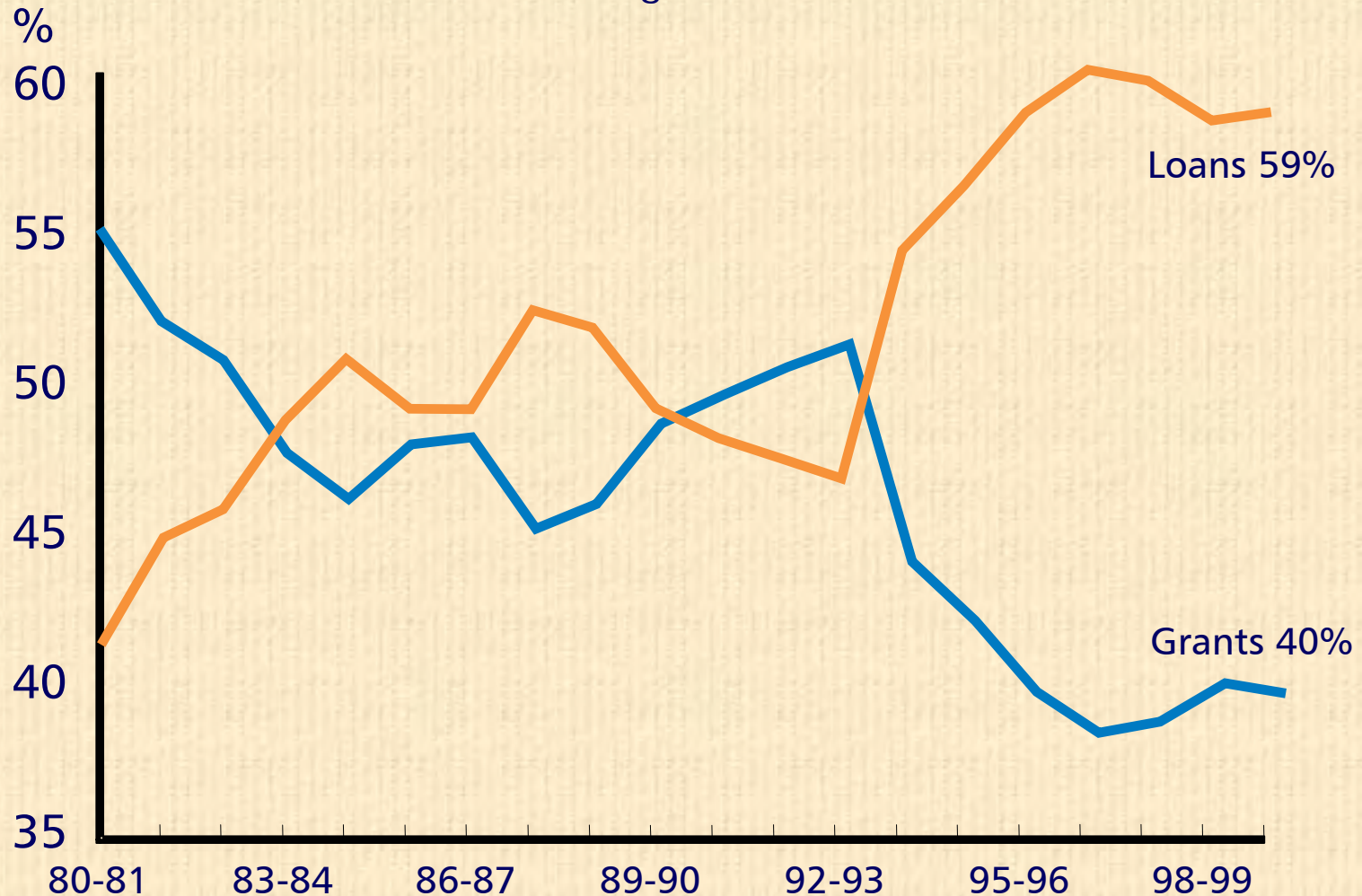
Maximum Pell Grant as a percentage of average tuition, fees, and on-campus room and board: 1973-74 to 2002-03



As a result, federal reliance has shifted from grants to loans



Percent share of grants vs. loans, 1980-81 to 1999-2000



Clearly, they don't love us anymore



- Our share is diminishing
- Their priorities have shifted
- We've been shafted
 - It's the worst of times,
 - It's the age of foolishness
 - It's the season of Darkness,
 - It's the winter of despair. . .

The second Pity

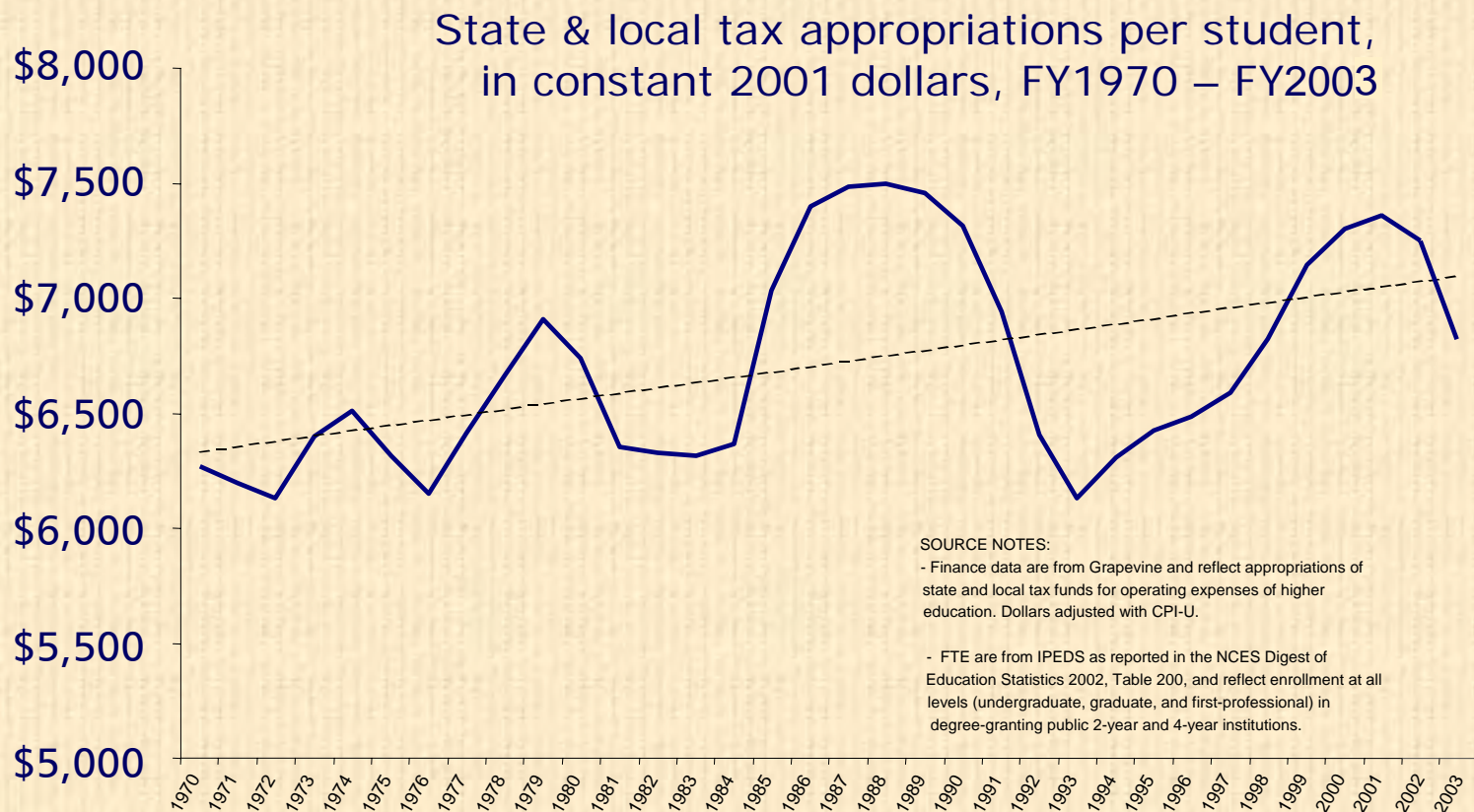
Isn't it a pity that . . .

They Don't Love Us Anymore!

- With ***they*** being ***higher education***, and
- ***Us*** being ***public policy makers***

The view from the other side – why is higher education whining?

Those ingrates – we've given them more and more, and it is never enough



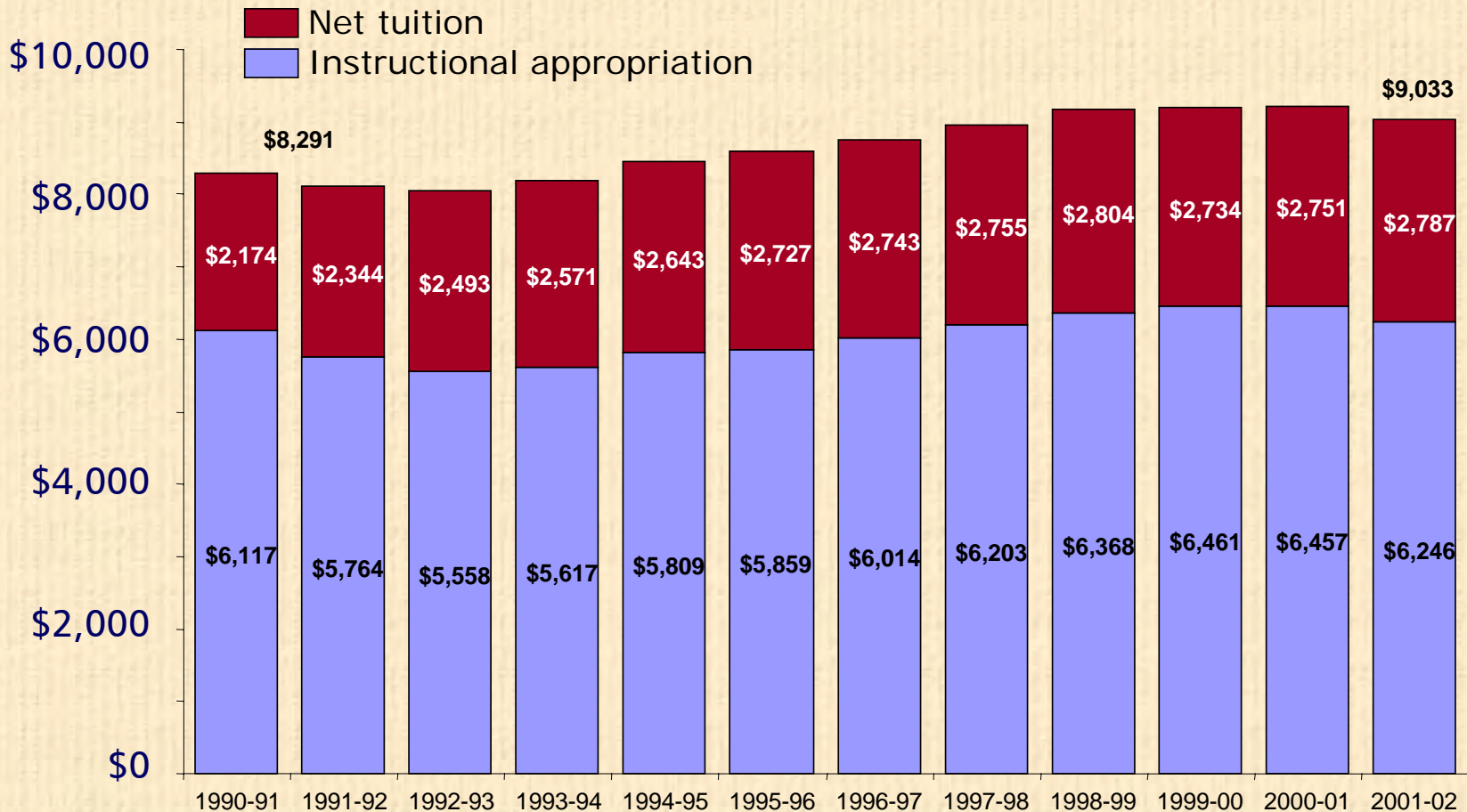
Why is the *high water mark* always the appropriate benchmark?

From Kane, Orszag, and Gunter – 2003.

“ ... in the late 1990s, state appropriations again increased rapidly, so that by 2001, state appropriations returned to approximately their level in the late 1980s. Note, however, that ... appropriations were slower to recover during the 1990s, and they never exceeded their previous peak.”

Those duplicitous jerks

They blame us for tuition, but look what they have done.

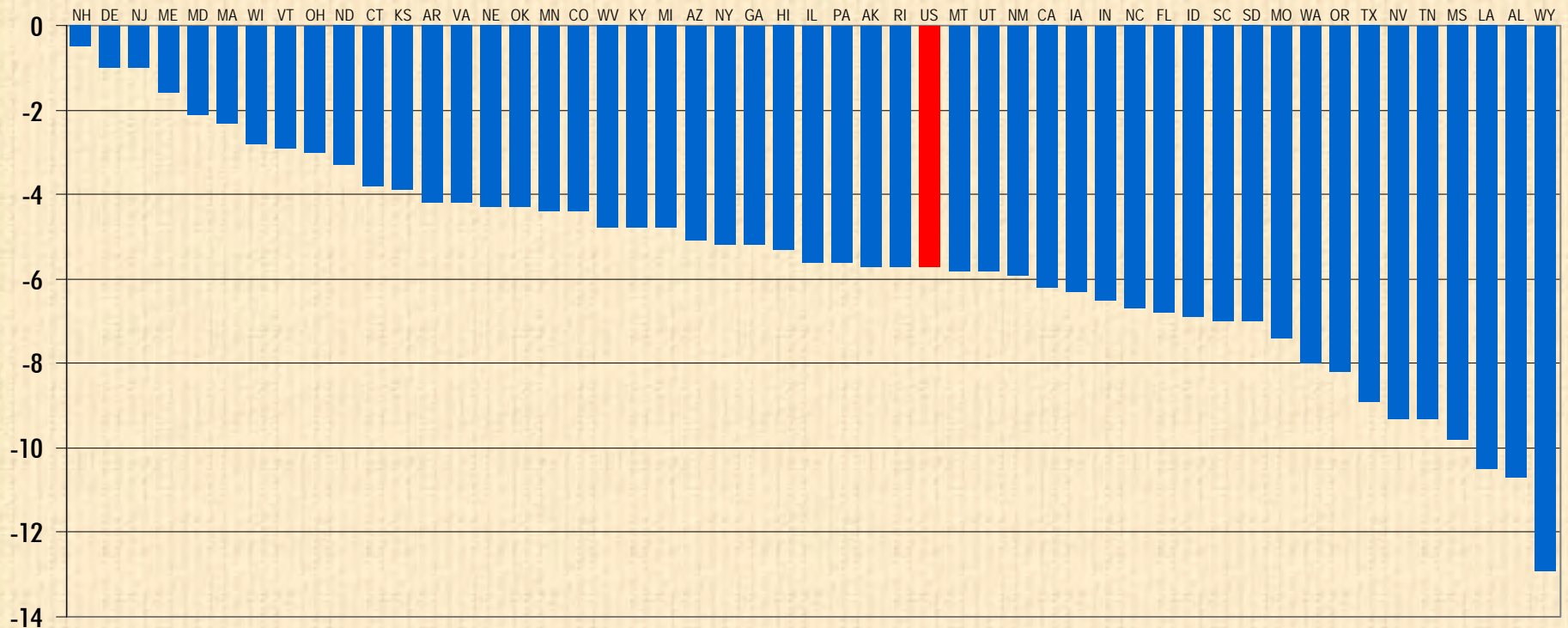


Those duplicitous jerks: They blame us, but we haven't backed away from need based

Type of aid	FY 1994	FY 1999	Change in \$	Change in %
Need-based	\$2,786	\$4,230	\$1,444	52%
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And why don't they appreciate our dilemma. There isn't any money. Fiscal projections – 2005 - 2013

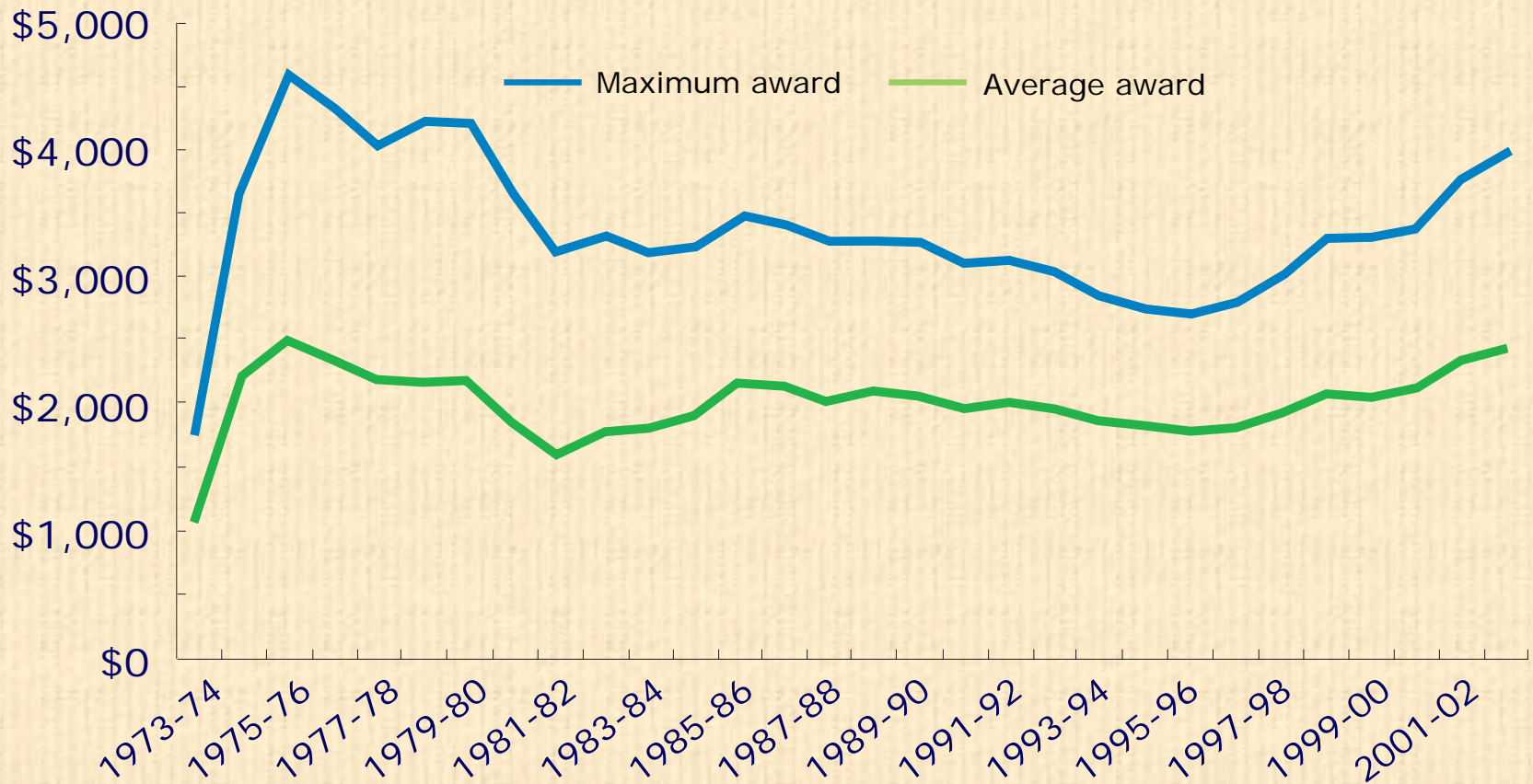
State and local surplus or shortfall as a percent of baseline revenues



Source: National Center for Higher Education Management Systems (NCHEMS)

Feds haven't backed away

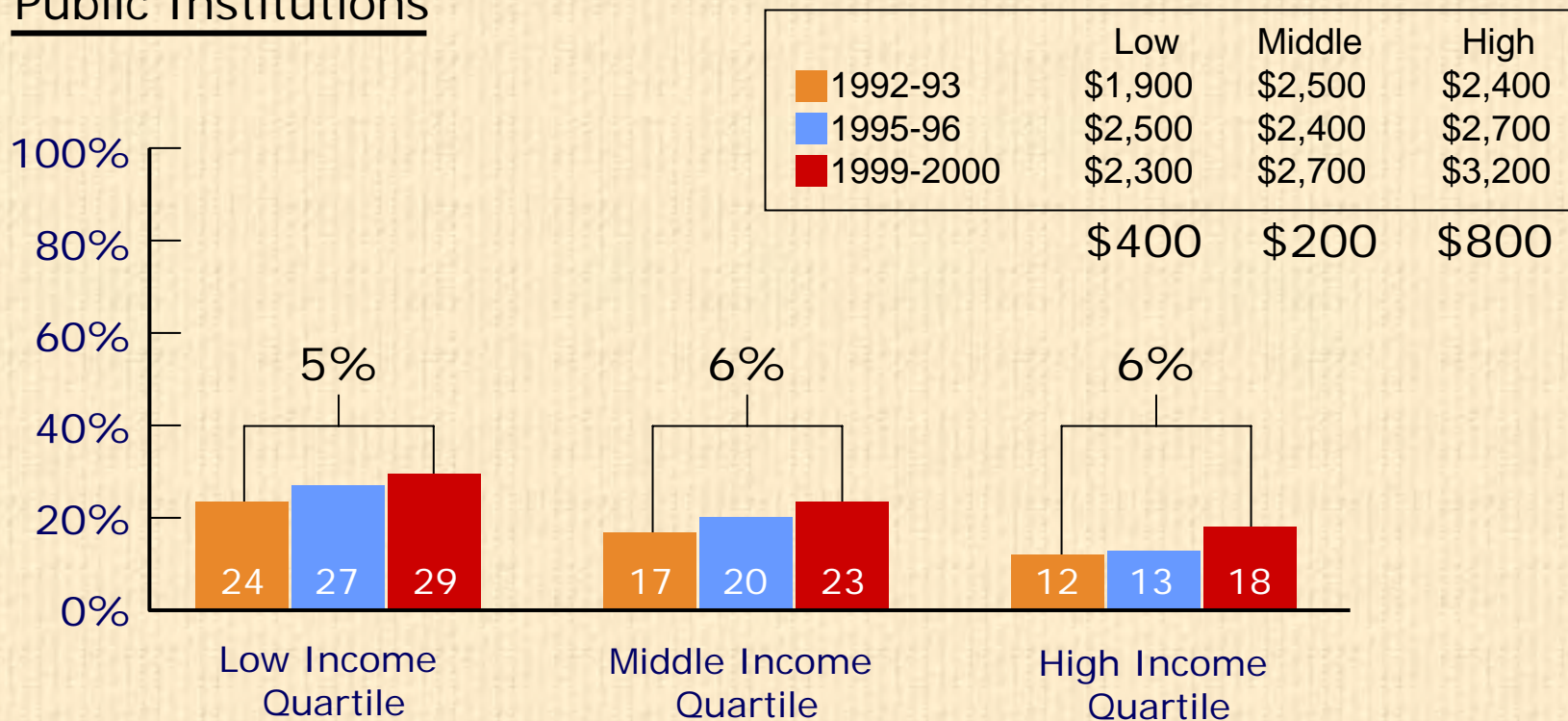
Maximum and average Pell grant awards, in constant 2002 dollars: 1973-74 to 2002-03



It's them – they are to blame

Percentage of full-time undergraduates enrolled in 4-year institutions who received institutional aid and among recipients, the average amount received in constant 1999 dollars, by income quartile: 1992-93, 1995-96, and 1999-2000

Public Institutions

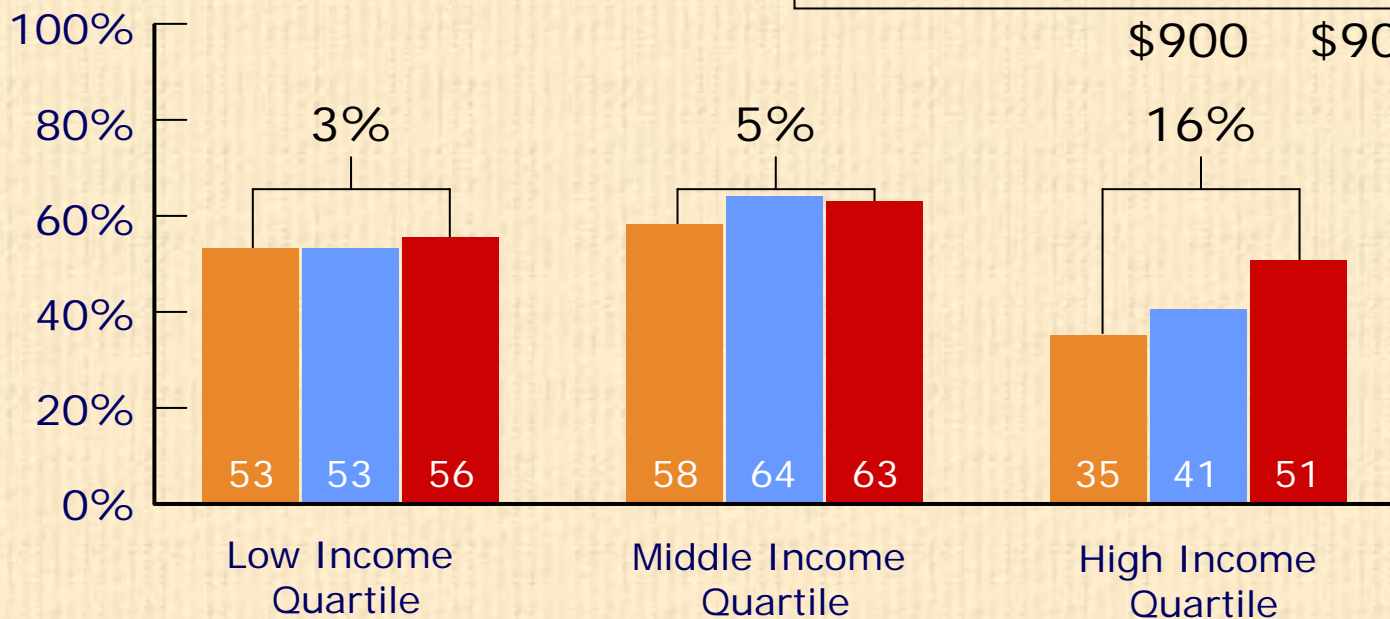


It's them – they are to blame

Percentage of full-time undergraduates enrolled in 4-year institutions who received institutional aid and among recipients, the average amount received in constant 1999 dollars, by income quartile: 1992-93, 1995-96, and 1999-2000

Private not-for-profit Institutions

	Low	Middle	High
1992-93	\$5,500	\$6,400	\$5,500
1995-96	\$5,900	\$6,300	\$5,500
1999-2000	\$6,200	\$7,500	\$6,800
	\$900	\$900	\$1,300



From this perspective, the story looks quite different

- We've treated higher education quite well in good times, and they never appreciate it.
- They blame us for their own transgressions.
- And, they don't understand the troubles we face.
- In the words of "the Tale":
 - These times aren't so bad,
 - We're pretty wise,
 - Their reaction is, indeed, incredulous,

A Tale of Two Pities

It is a far, far better thing ...

We must make this:

- the age of wisdom, not foolishness,
- the epoch of belief, not incredulity, and
- the spring of hope, not despair.

- These may not be the best of times; but they need not be the worst.