

Strategies for Tough Times



WICHE Commission Meeting
Boulder, Colorado
November 2, 2009



NCHEMS

National Center for Higher Education Management Systems
3035 Center Green Drive, Suite 150
Boulder, Colorado 80301



DELTA PROJECT
on Postsecondary Education Costs,
Productivity, and Accountability

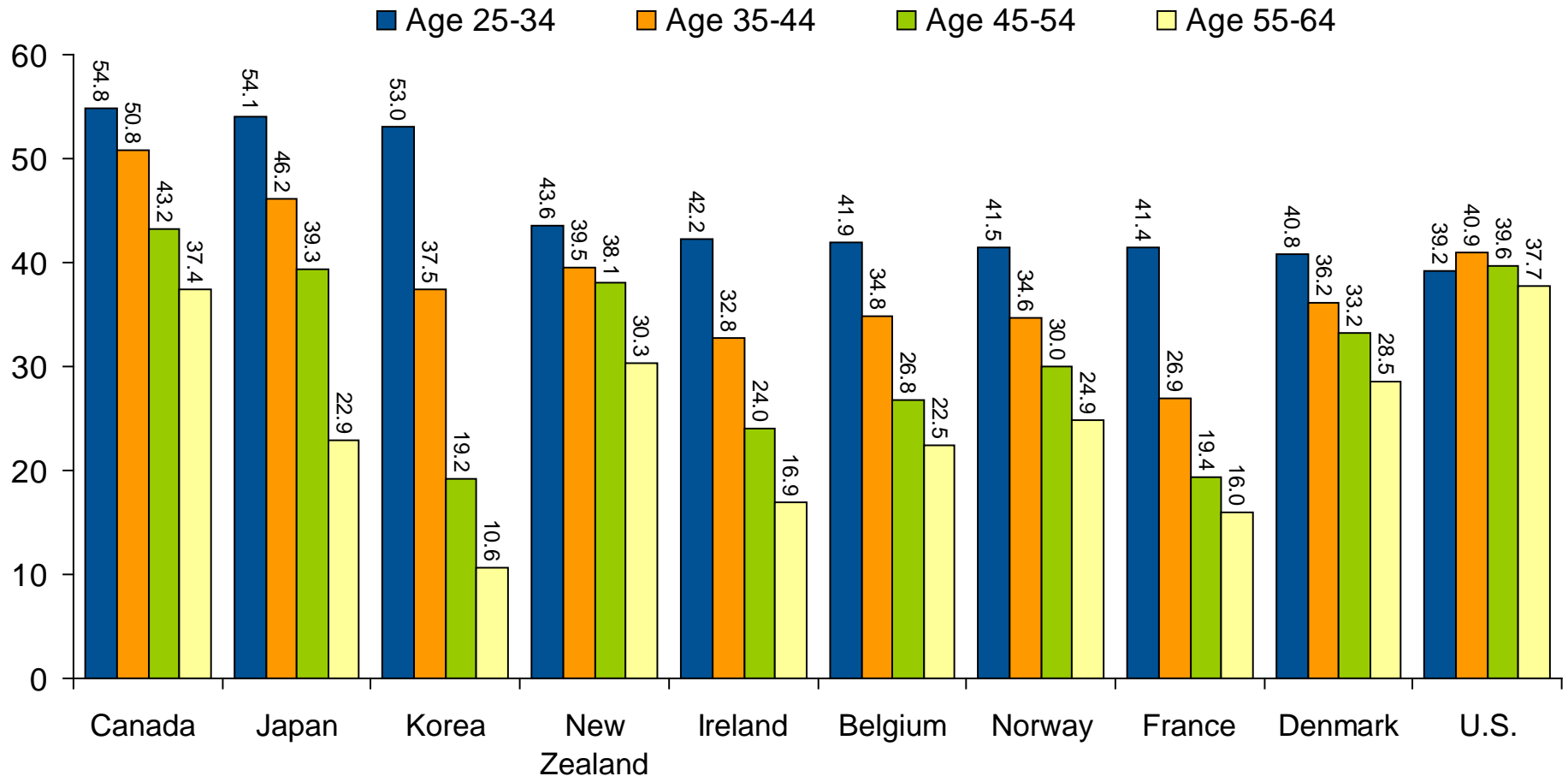
The Reality of Higher Expectations

“By 2020, America will once again have the highest proportion of college graduates in the world”

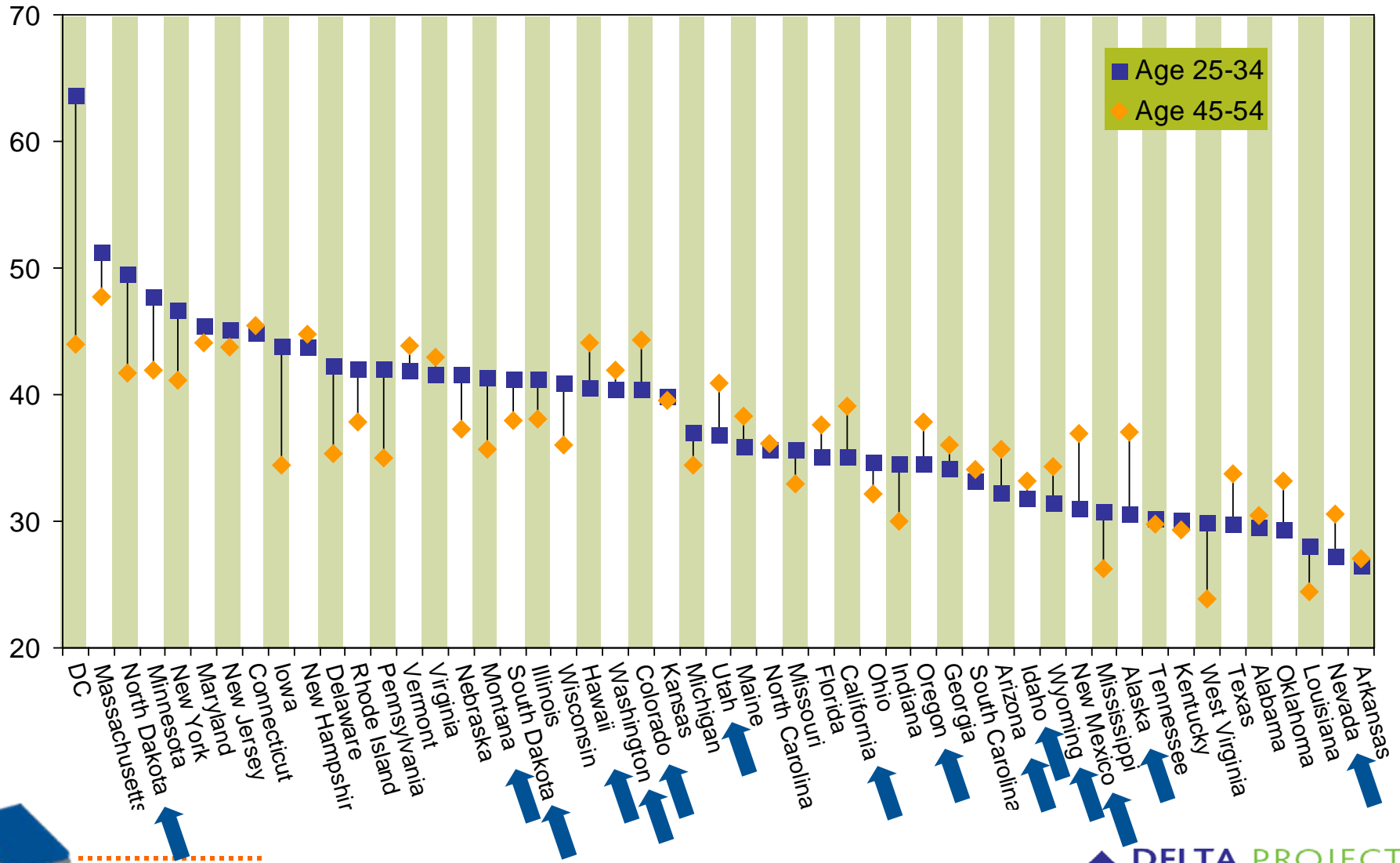
- *President Obama, 2/24/09*

- State Level Goals
 - Double the numbers in Arizona, Colorado, & Kentucky
 - Global Competitiveness in Minnesota and Texas
 - 40-40-20 in Oregon

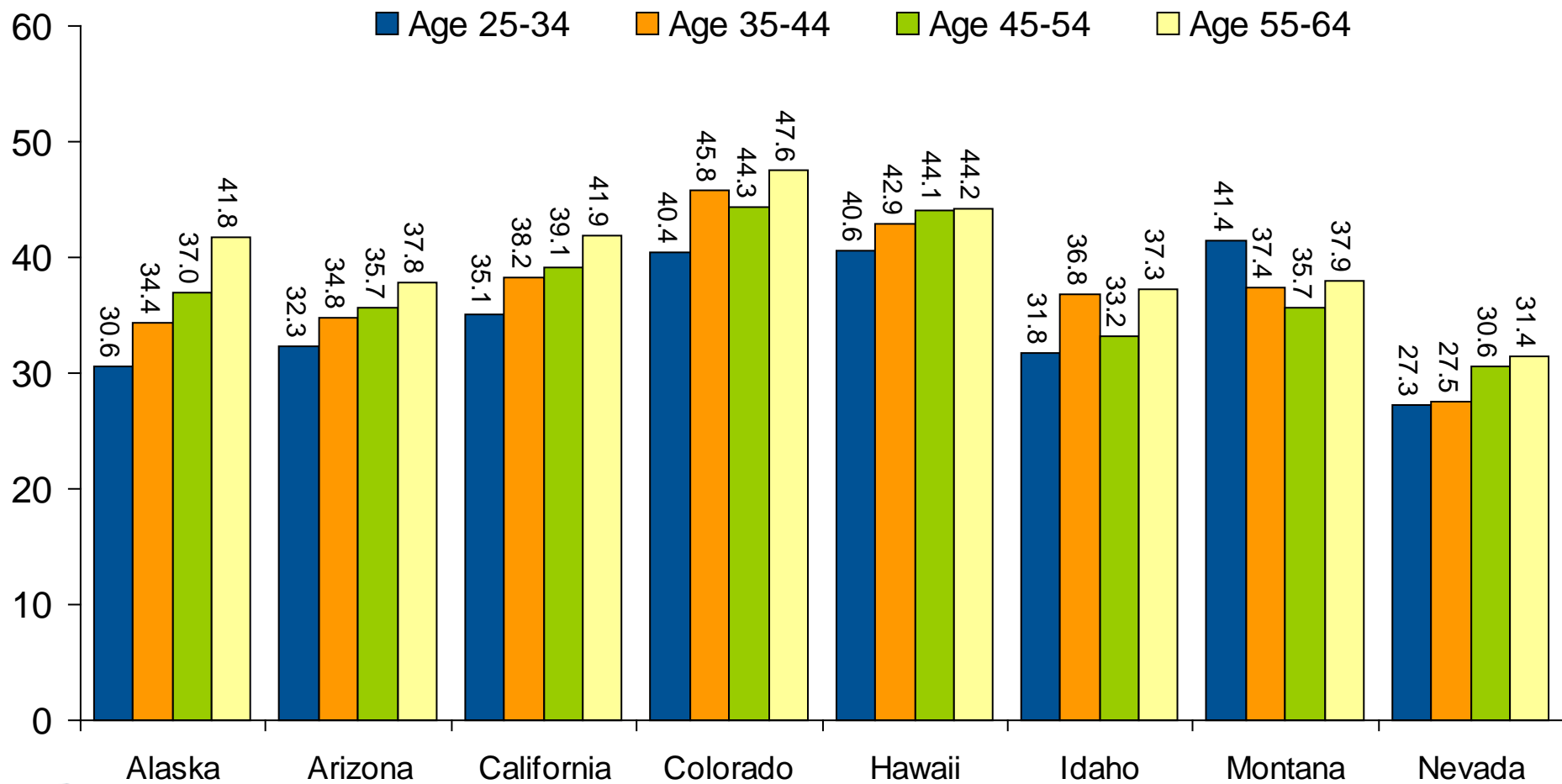
Percent of Adults with an Associate Degree or Higher by Age Group - U.S. & Leading OECD Countries



Differences in College Attainment (Associate & Higher) Between Younger & Older Adults—U.S., 2006



Percent of Adults with an Associate Degree or Higher by Age Group, WICHE States

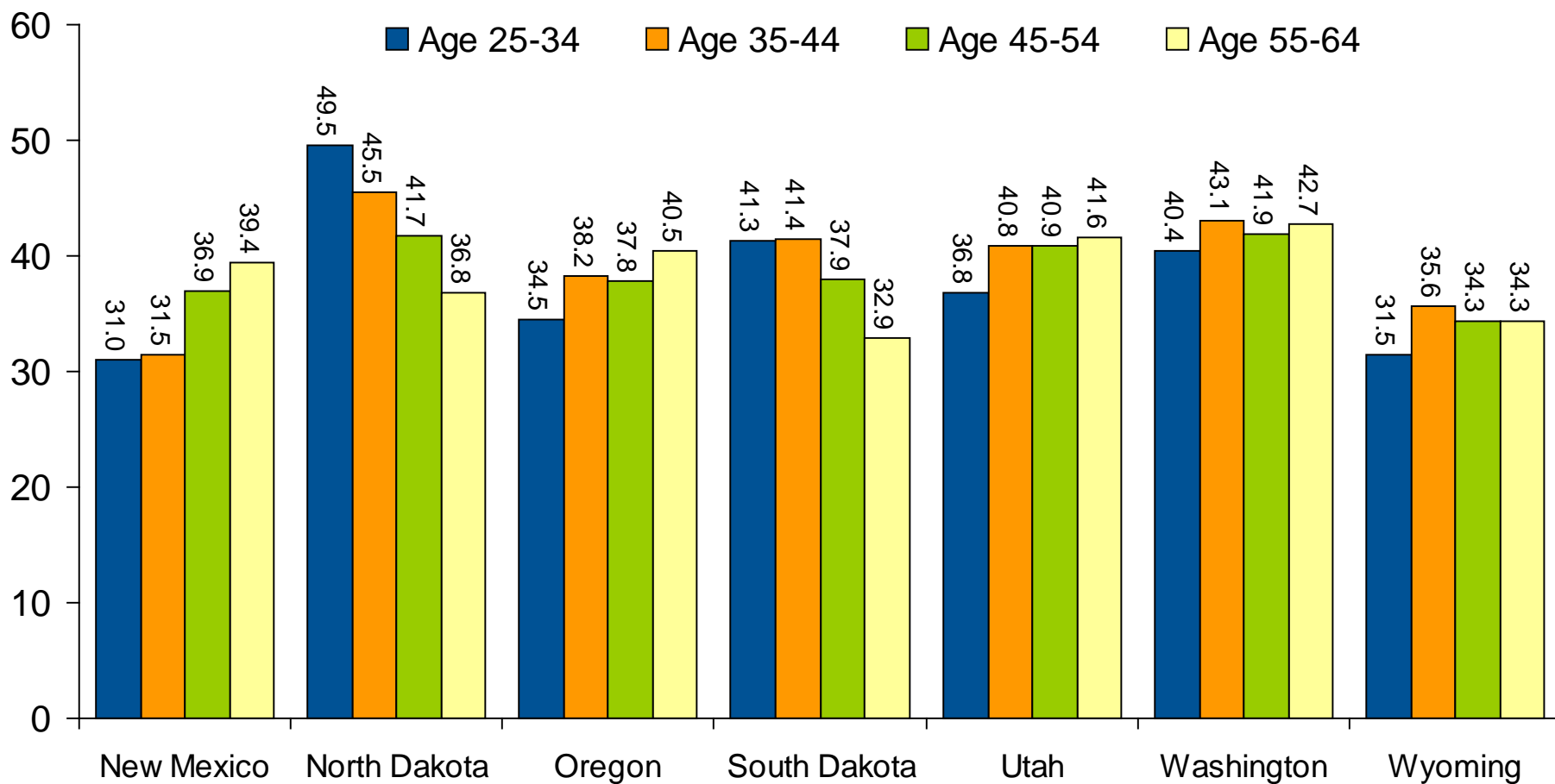


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Source: OECD, *Education at a Glance 2007*

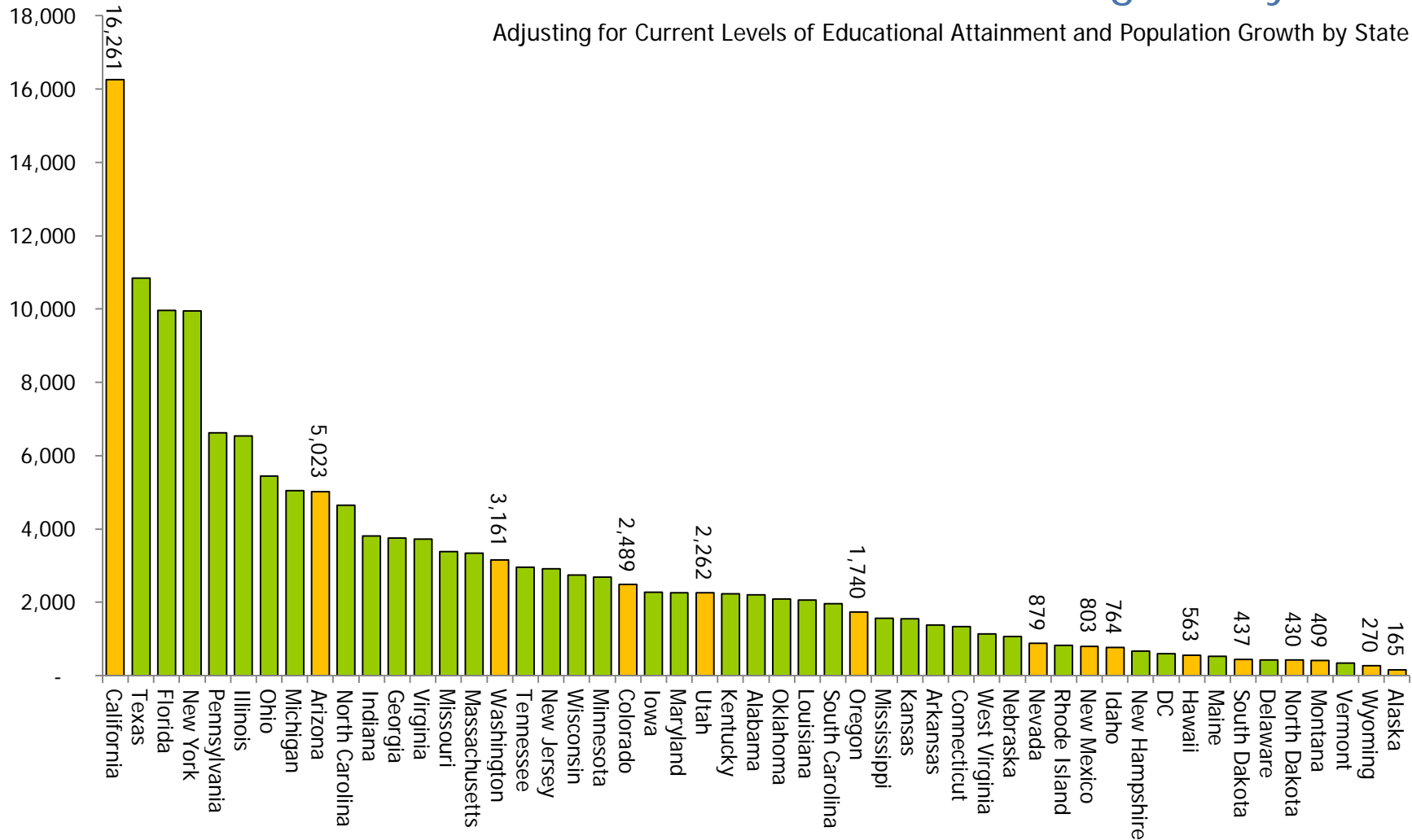
Percent of Adults with an Associate Degree or Higher by Age Group, WICHE States

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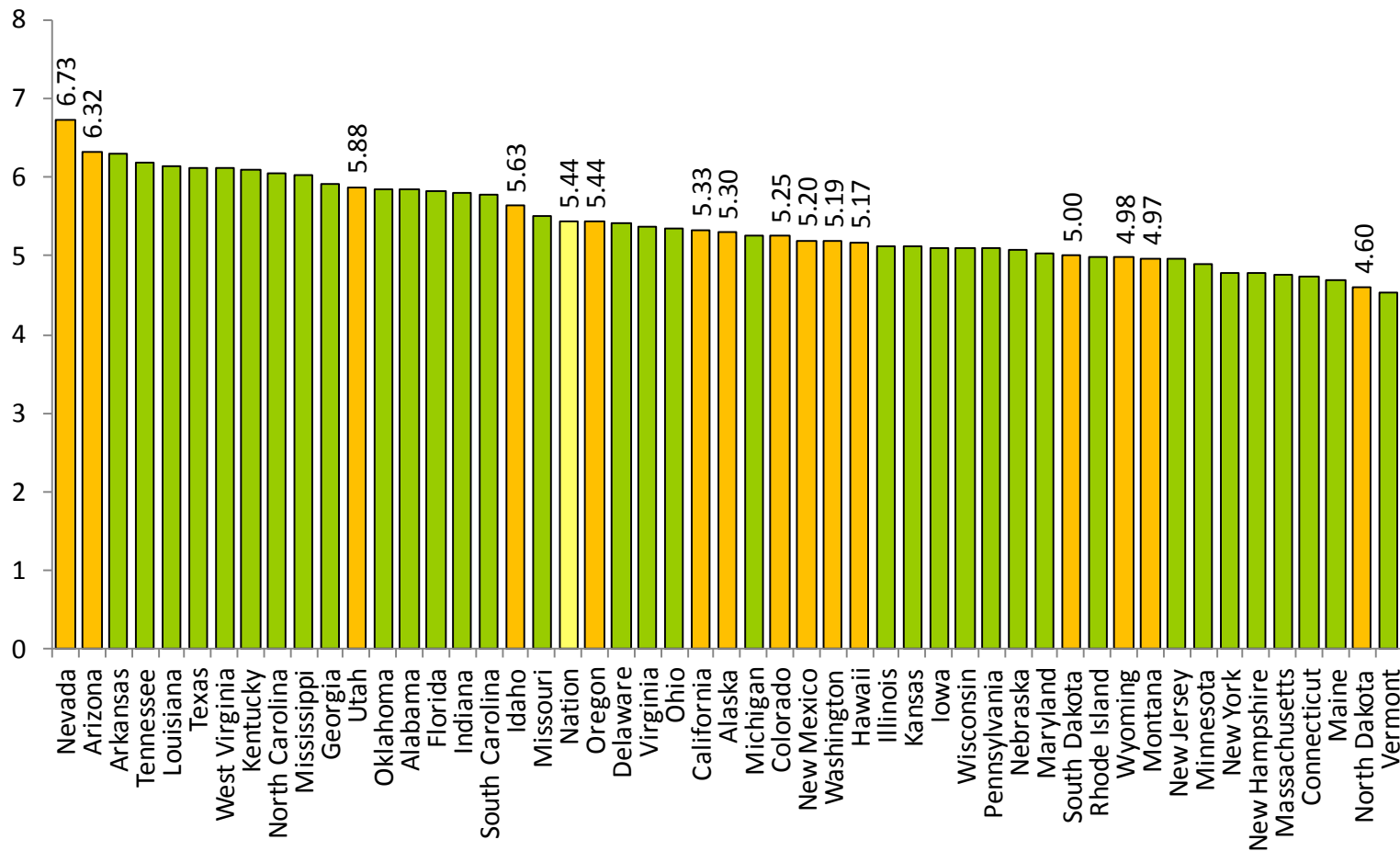
Annual Increase in Degree Production Required to Meet the Goal – 11.7 Million Additional Degrees by 2020

Adjusting for Current Levels of Educational Attainment and Population Growth by State

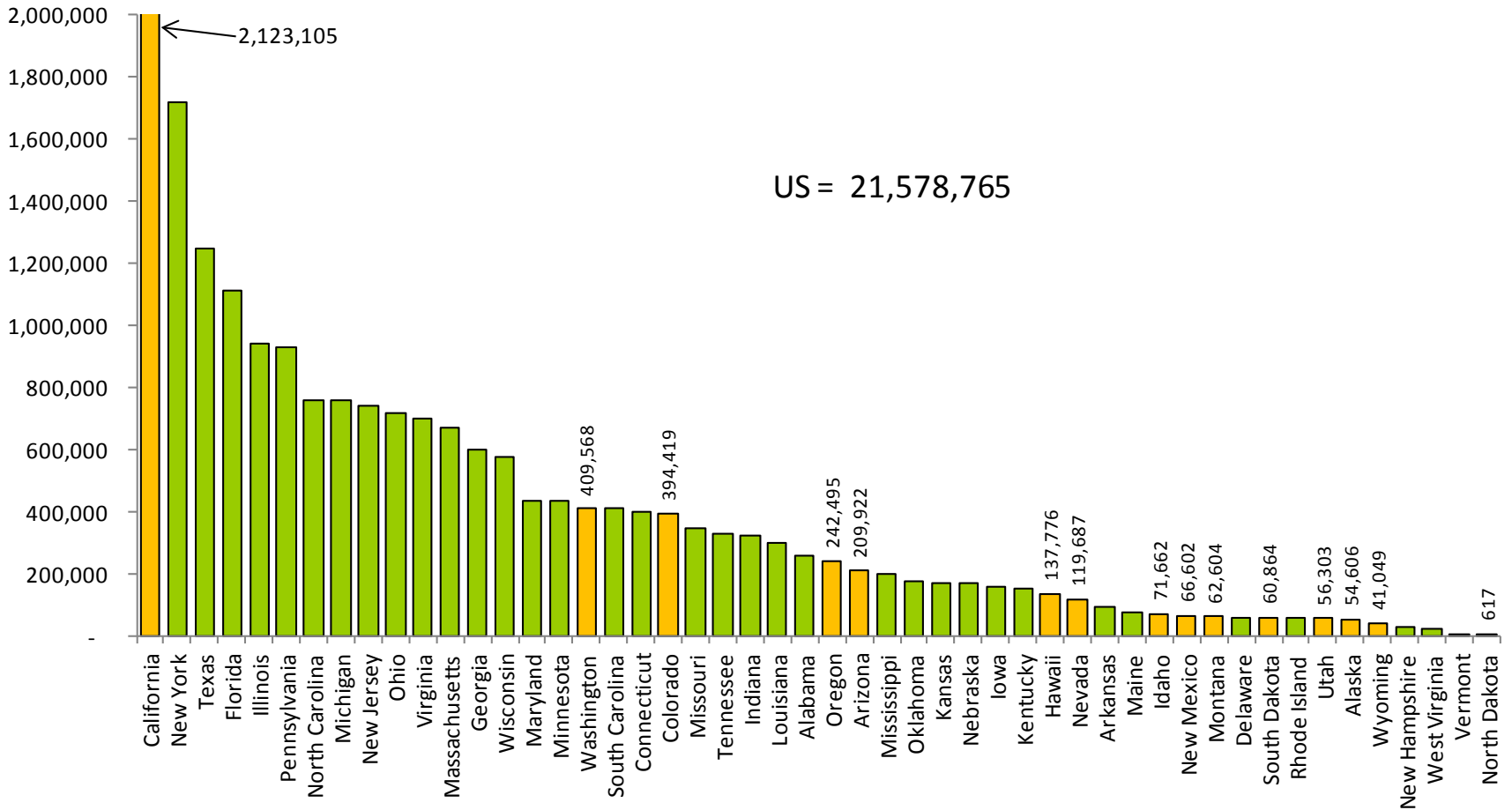


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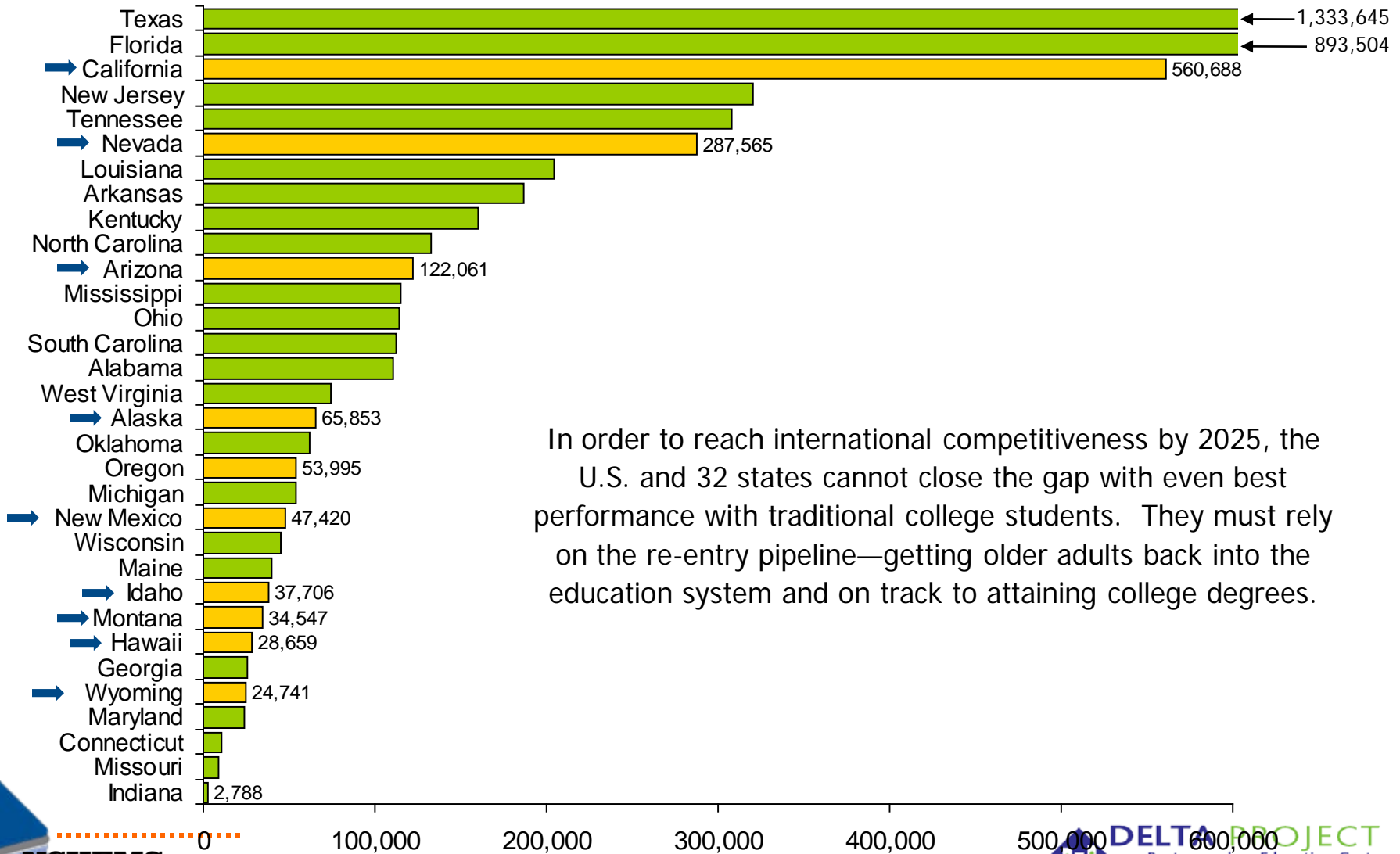
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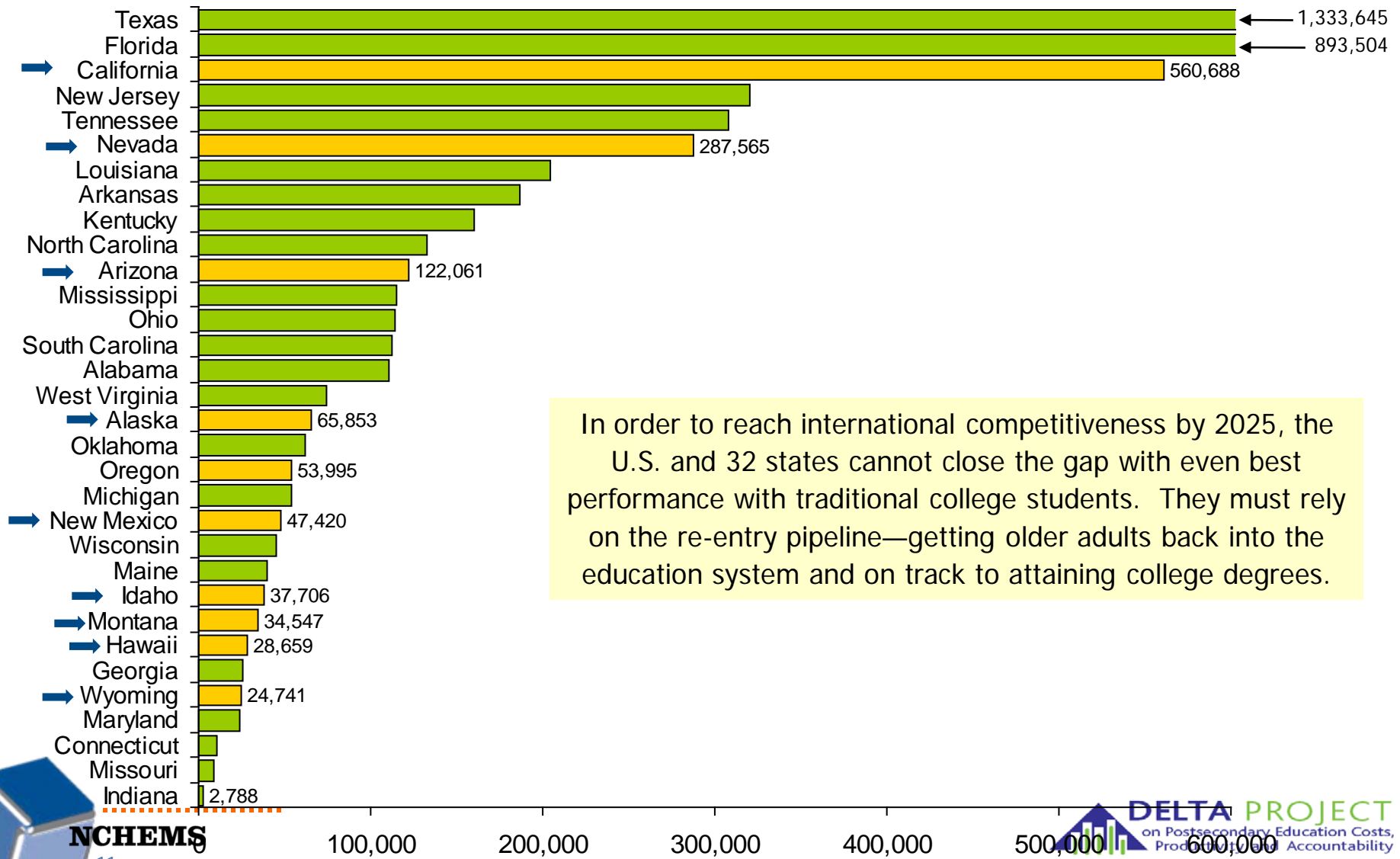
Additional Degree-Holders Needed to Close Racial/Ethnic Gaps Between Whites & Minorities, 2005-07



Even Best Performance with Traditional College-Age Students at Each Stage of the Educational Pipeline Will Leave Gaps in More than 30 States

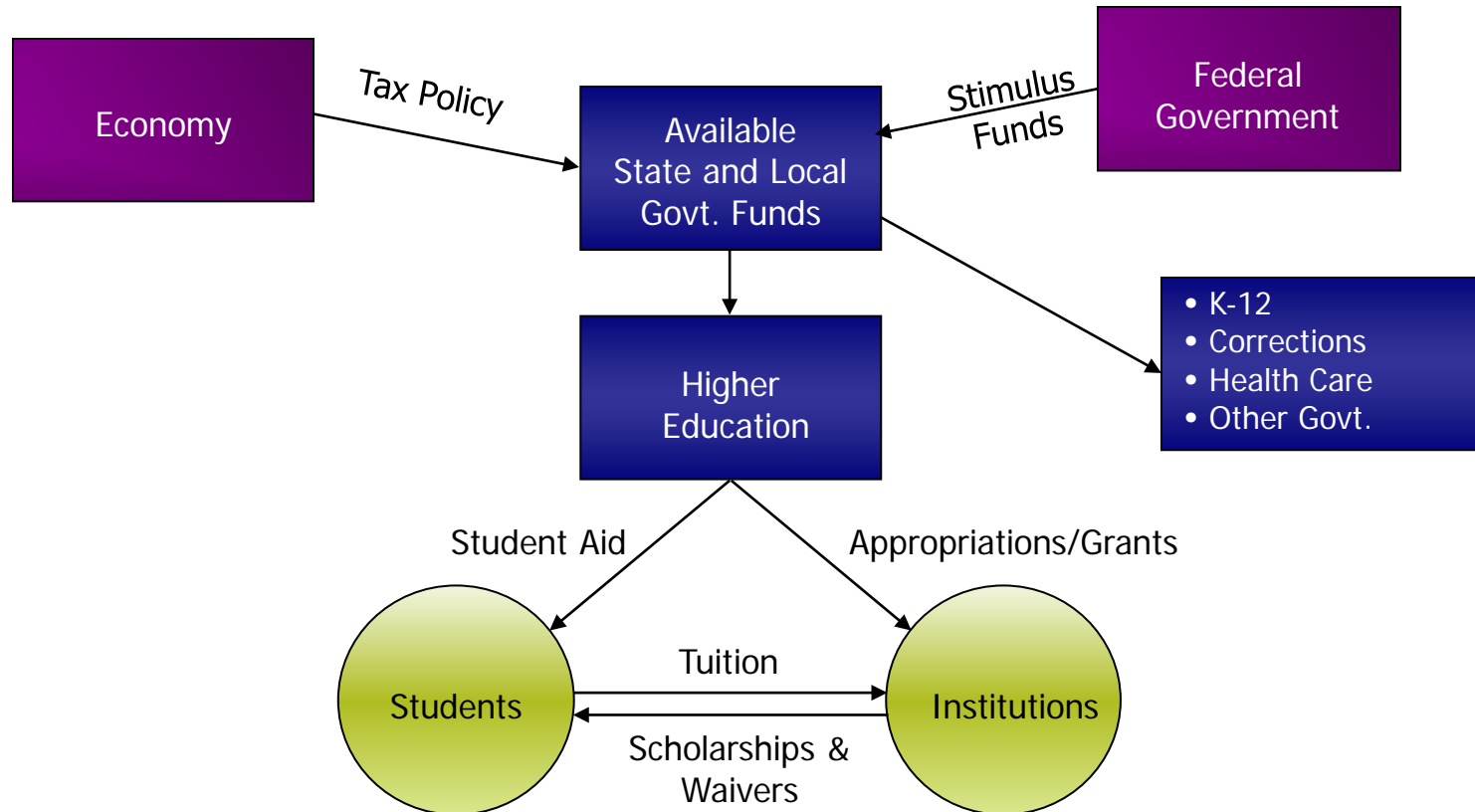


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FINANCIAL ENVIRONMENT

The Flow of Funds - State

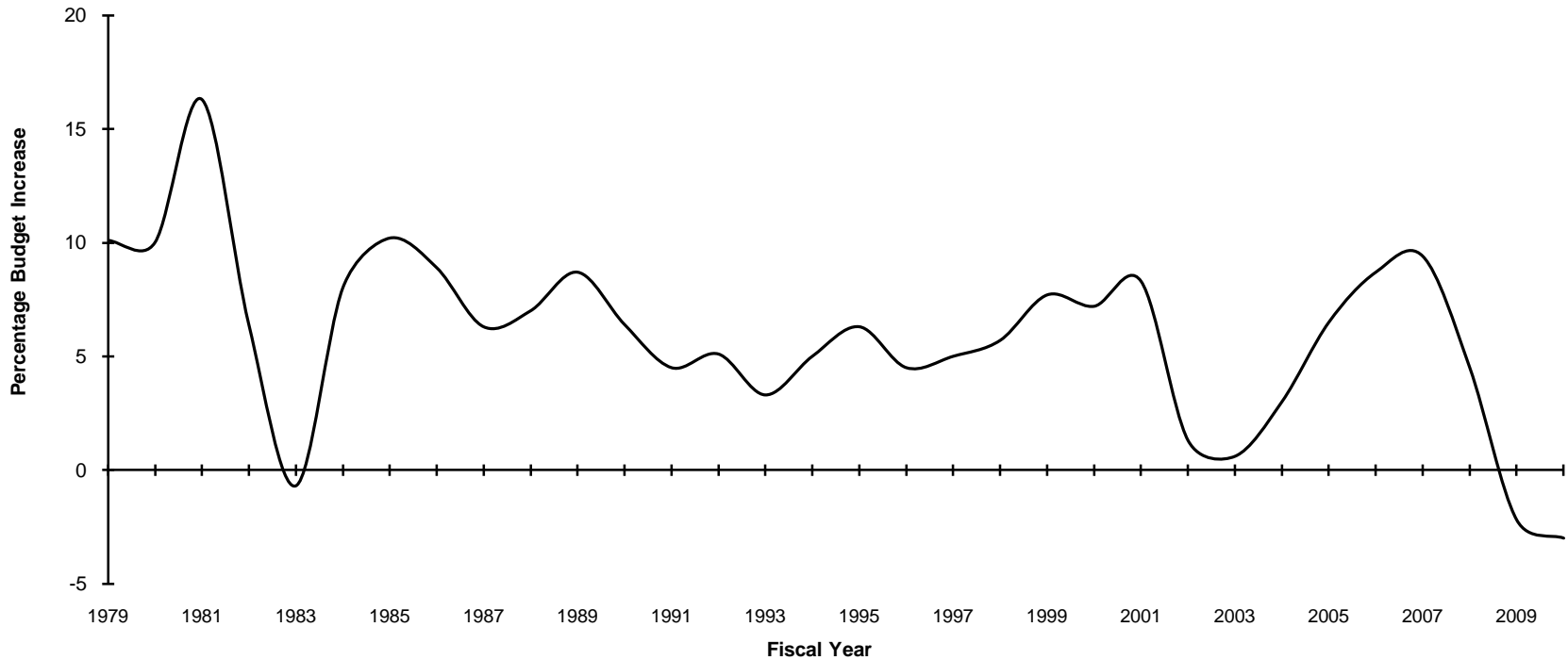


Many state governments
have serious financial problems.

And they're not going to recover quickly.

Expenditures

Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2010



**32-year historical average rate of growth is 5.9 percent*

****Fiscal 10 numbers are recommended*

***Fiscal 09 numbers are estimated*

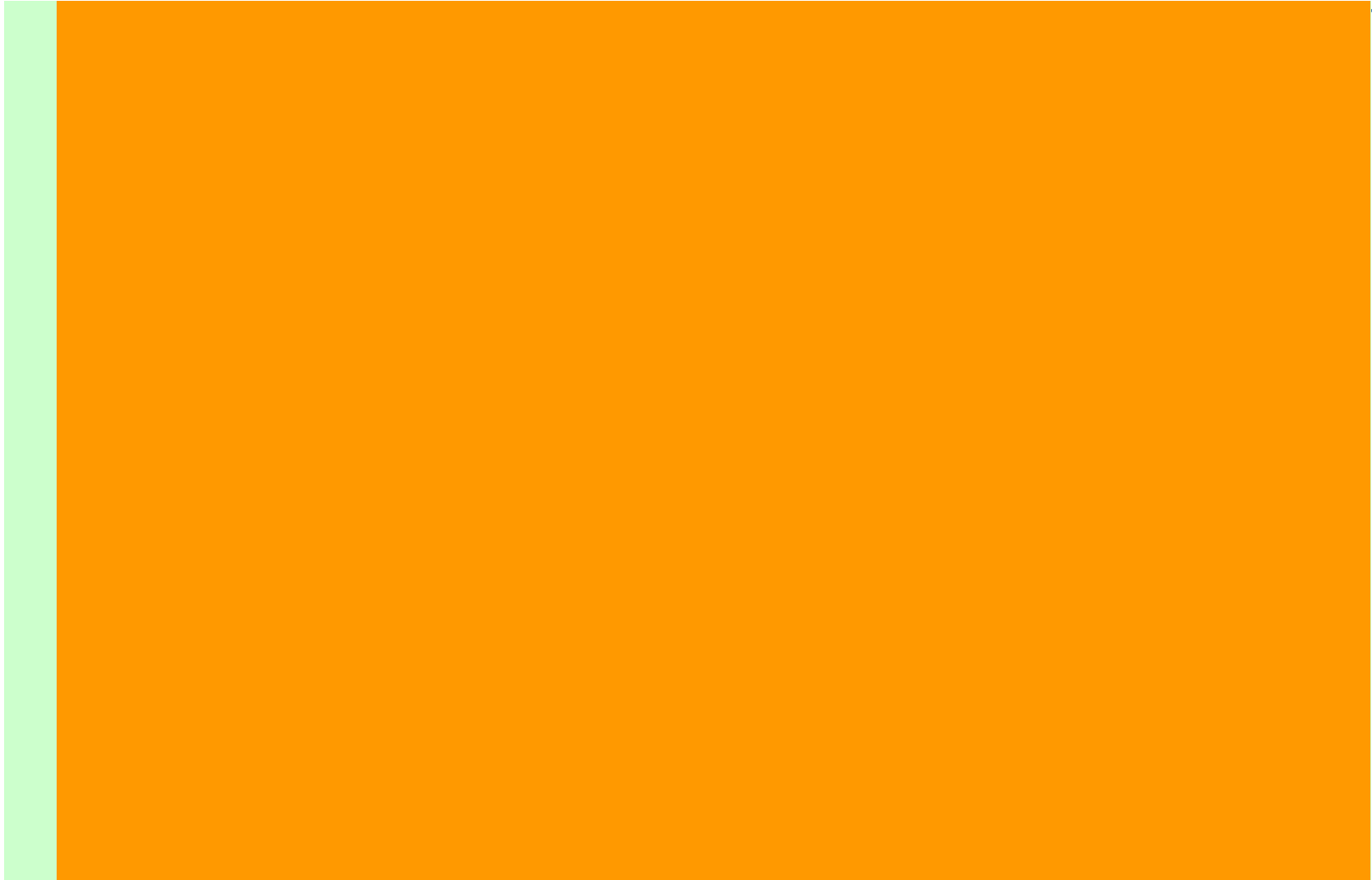
Source: NASBO June 2009 Fiscal Survey of States

FY 2010 Highest Budget Gaps

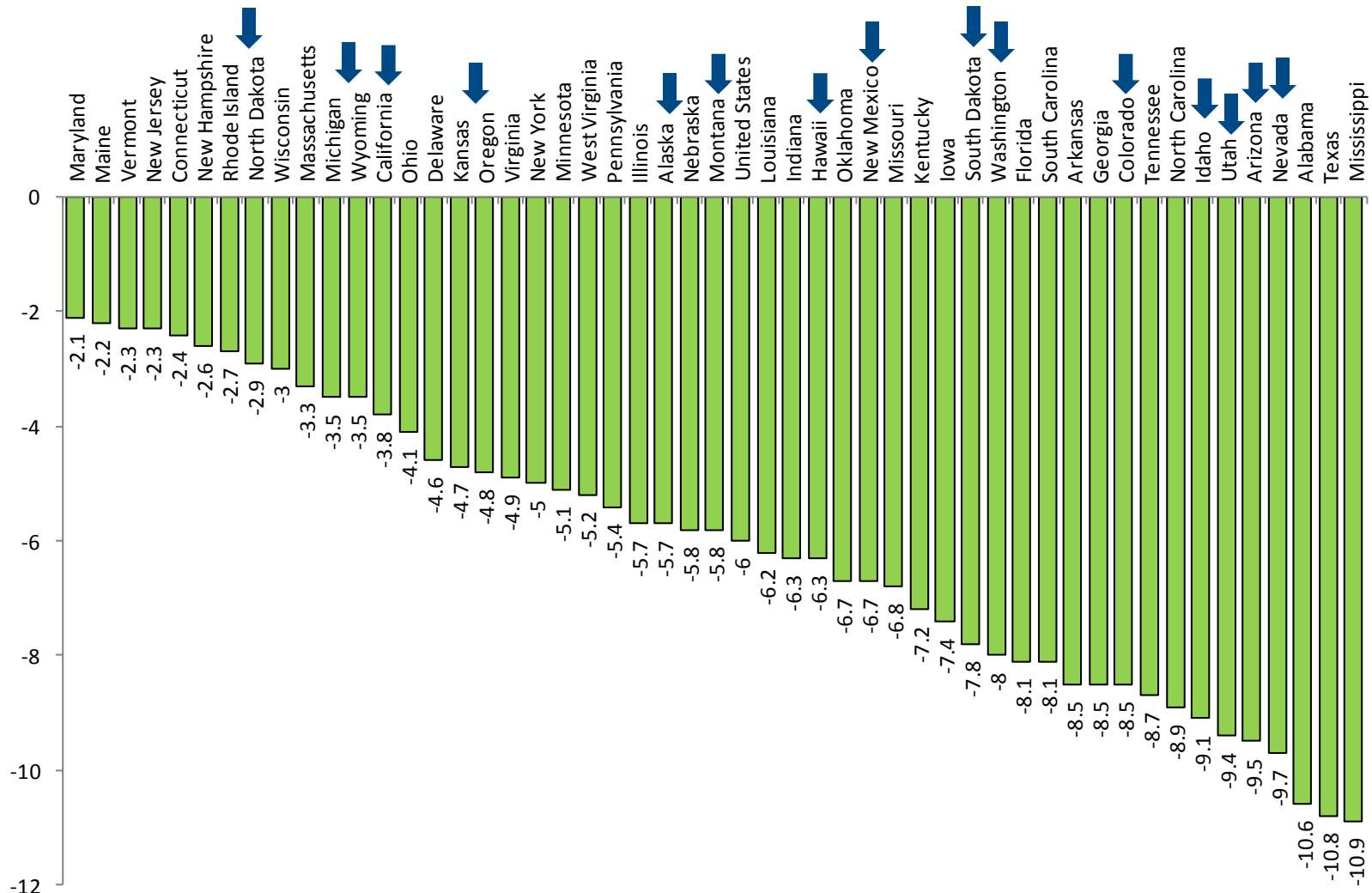
as a Percentage of General Fund Budget

Projected Budget Gaps

12



Projected State & Local Budget Surplus (Gap) as a Percent of Revenues, 2016



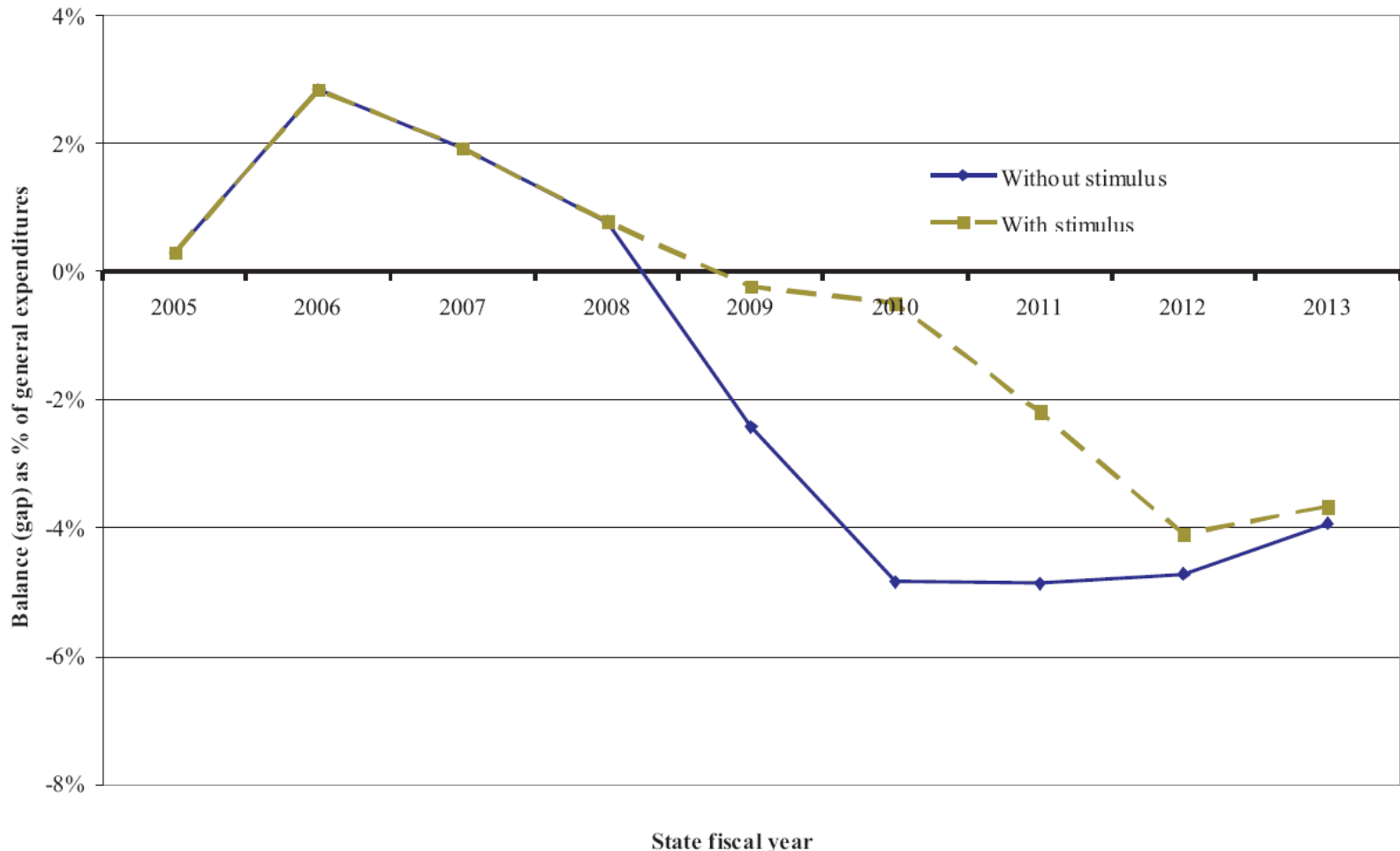
Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2009

For most states - and for most public institutions -
the stimulus package is not an answer

- But it will slow the impact
- And it can buy enough time to adjust to substantially changed circumstances

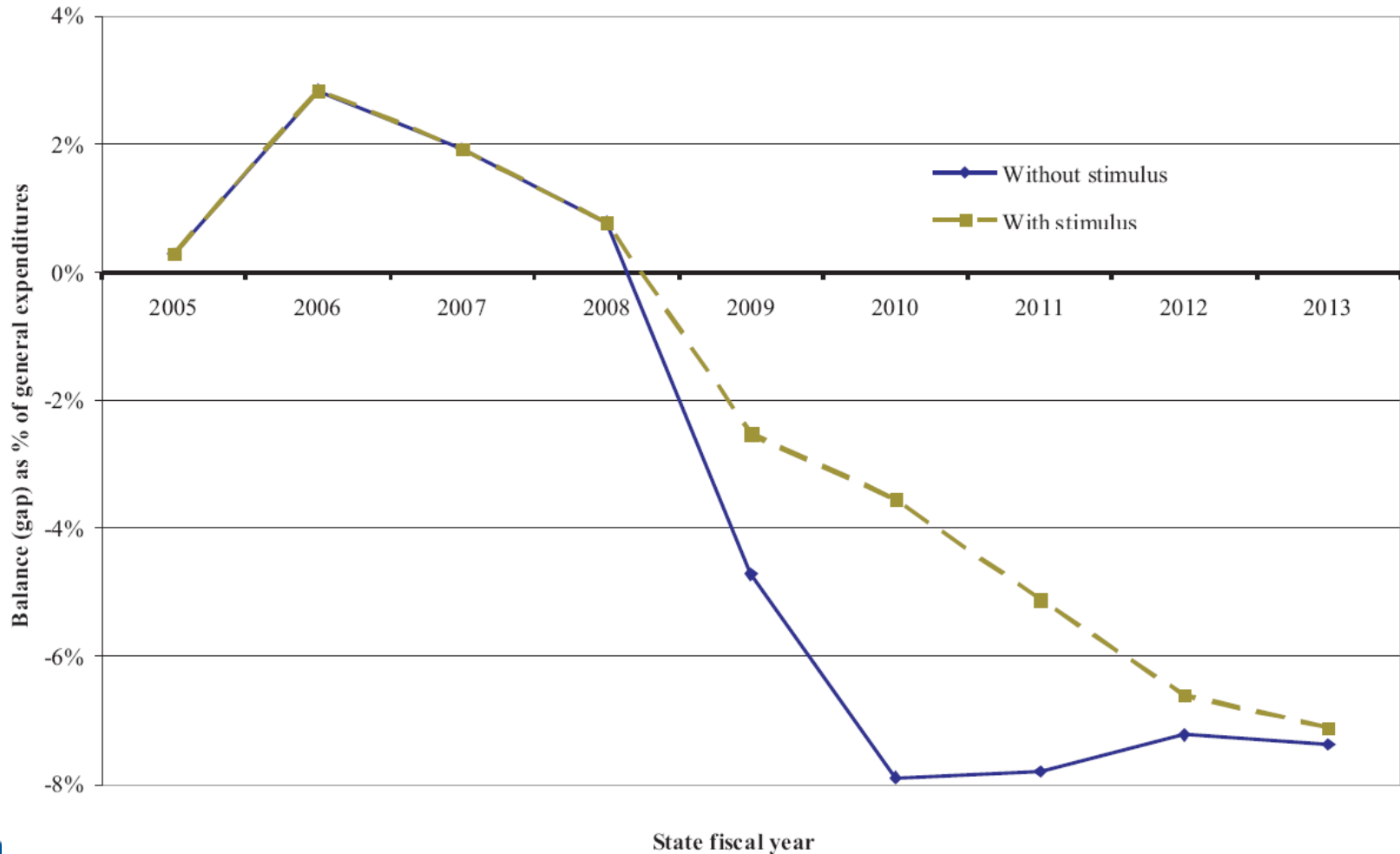
After stimulus wanes, gaps could approximate 4% of spending, or \$70 billion, even under the "Low-Gap" Scenario

**"Low-Gap" Scenario:
State General Revenue Minus Expenditures With and Without Federal Stimulus**



After stimulus wanes, gaps could approach 7% of spending or \$120 billion under the "High-Gap" scenario

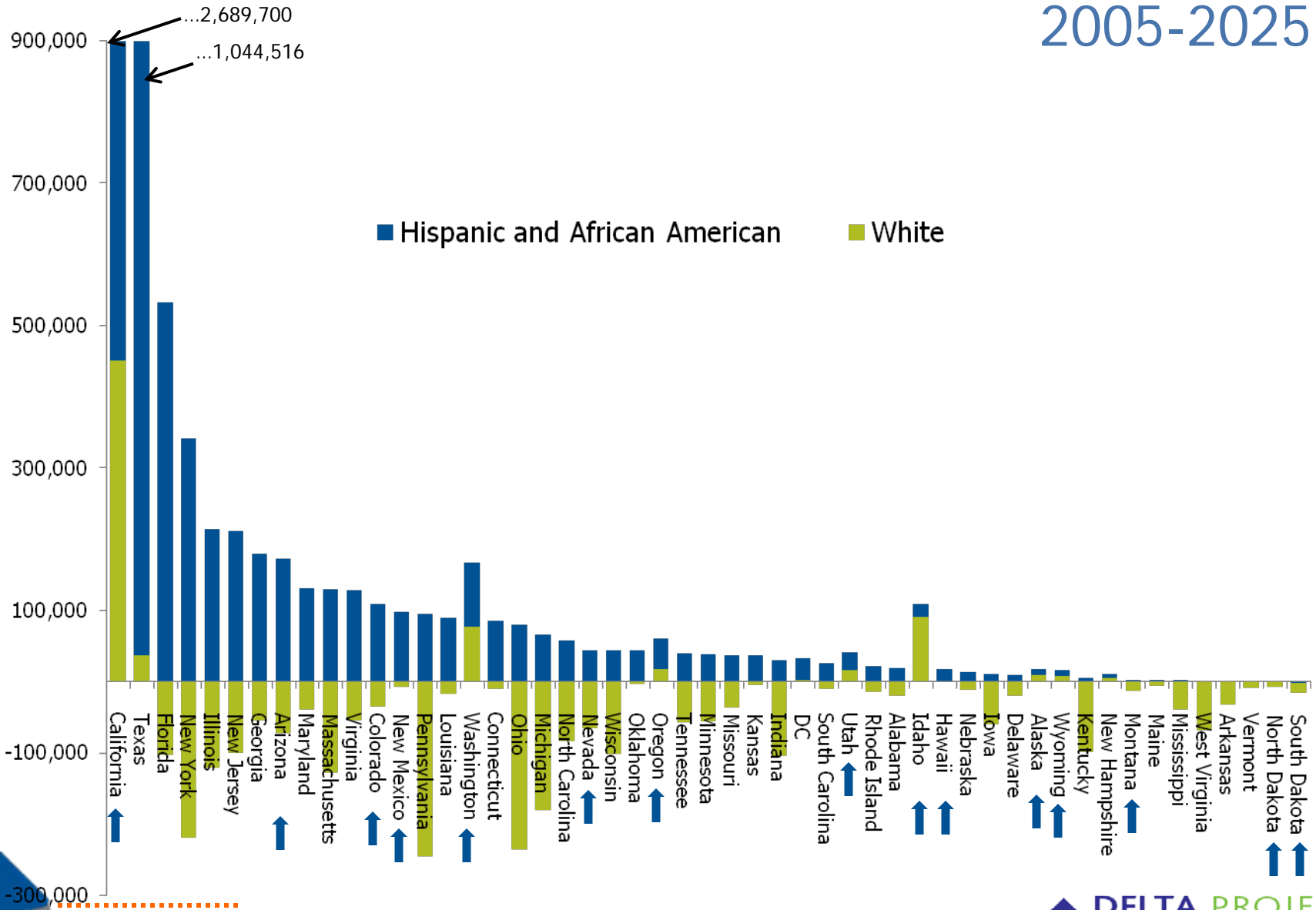
"High-Gap" Scenario:
State General Revenue Minus Expenditures With and Without Federal Stimulus



Recognize that the big population growth will be in students of color. In the main these will be individuals of modest means.

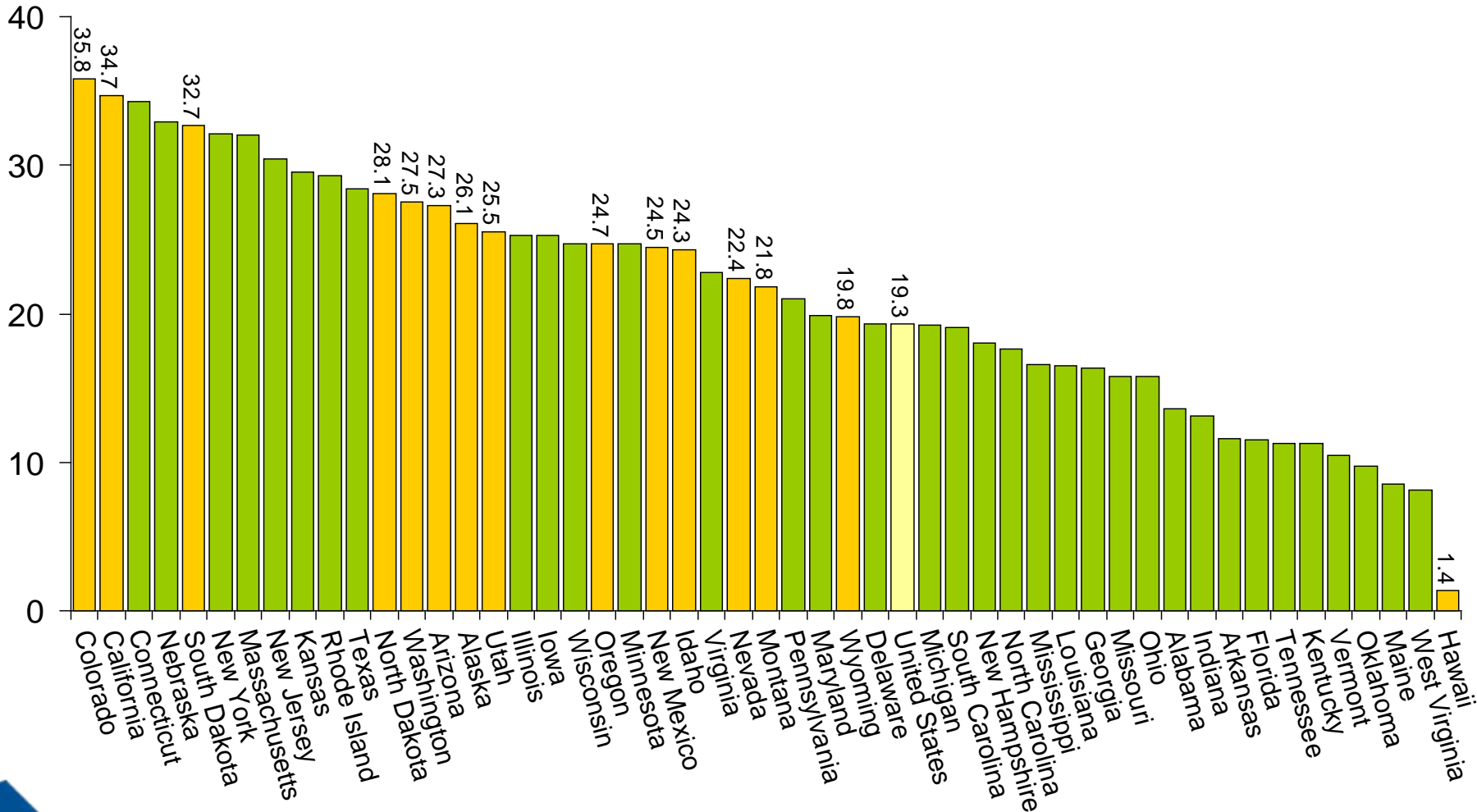
Therefore there are real limits as to how high tuition can go before price affects participation and completion.

Change in Population Age 25-44 By Race/Ethnicity, 2005-2025



...2,689,700
 ...1,044,516

Difference Between Whites and Next Largest Race/Ethnic Group in Percentage of Adults Age 25-34 with an Associate Degree or Higher, 2000



Source: U.S. Census Bureau, PUMS (based on 2000 Census)

Percentage of Children in the Lowest and Highest U.S. Family Income Quartiles by Race/Ethnicity

(2006)

State	Low Income Quartile		High Income Quartile	
	White and Asians	Other Race/Ethnicities	White and Asians	Other Race/Ethnicities
Alaska	10.2	26.1	15.3	9.2
Arizona	12.4	34.8	15.8	3.9
California	11.8	30.1	26.5	7.1
Colorado	12.1	33.5	19.5	4.1
Hawaii	16.4	15.8	19.4	16.0
Idaho	18.0	35.5	7.7	1.2
Montana	19.5	38.8	5.2	2.7
Nevada	11.7	28.6	16.1	4.1
New Mexico	15.7	39.5	13.7	3.0
North Dakota	16.0	35.3	7.3	1.3
Oregon	17.0	38.4	11.8	4.0
South Dakota	11.8	44.2	9.6	2.3
Utah	11.1	31.8	12.4	3.7
Washington	14.3	36.3	15.1	5.6
Wyoming	18.3	26.6	11.4	6.6
United States	14.8	37.4	17.0	5.1

The Imperative to Reduce Costs and Increase Productivity

- Funding strategy to support attainment goals has to include attention to cost control and productivity increases - by states, within systems, and in institutions
- Both are possible – but both require new habits and attention to spending, and improving accountability for spending and performance
- Beginning with better language about costs-and where to focus policy attention

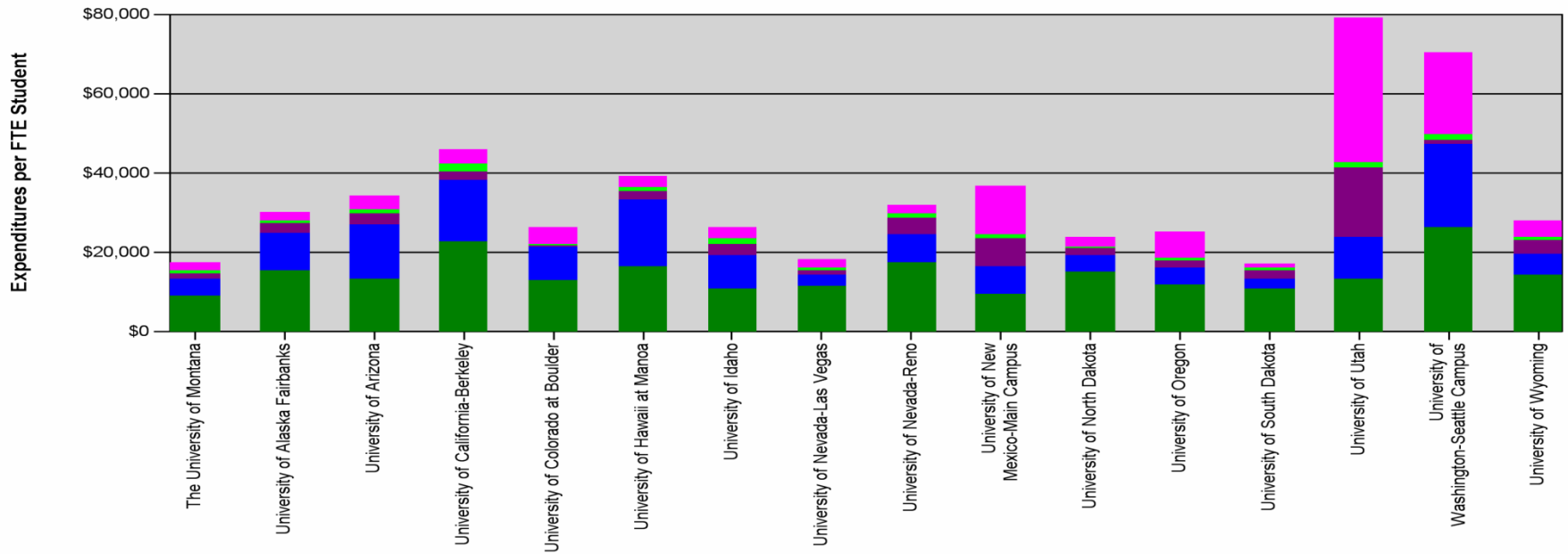
Clarifying language as it relates to costs and productivity

- Costs = spending, not prices
- Focus on E&R, not total spending
- Measure cost per student and cost per degree/completion
- Look at patterns over time

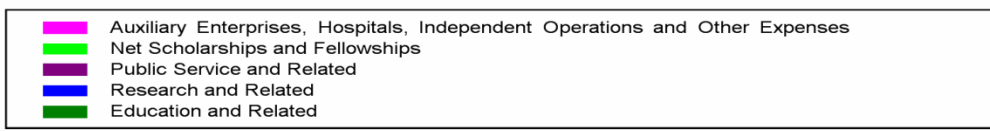
Peeling the onion: getting at core functions inside budgets

Snapshot of total spending by functional area, 2006, public research universities in WICHE region

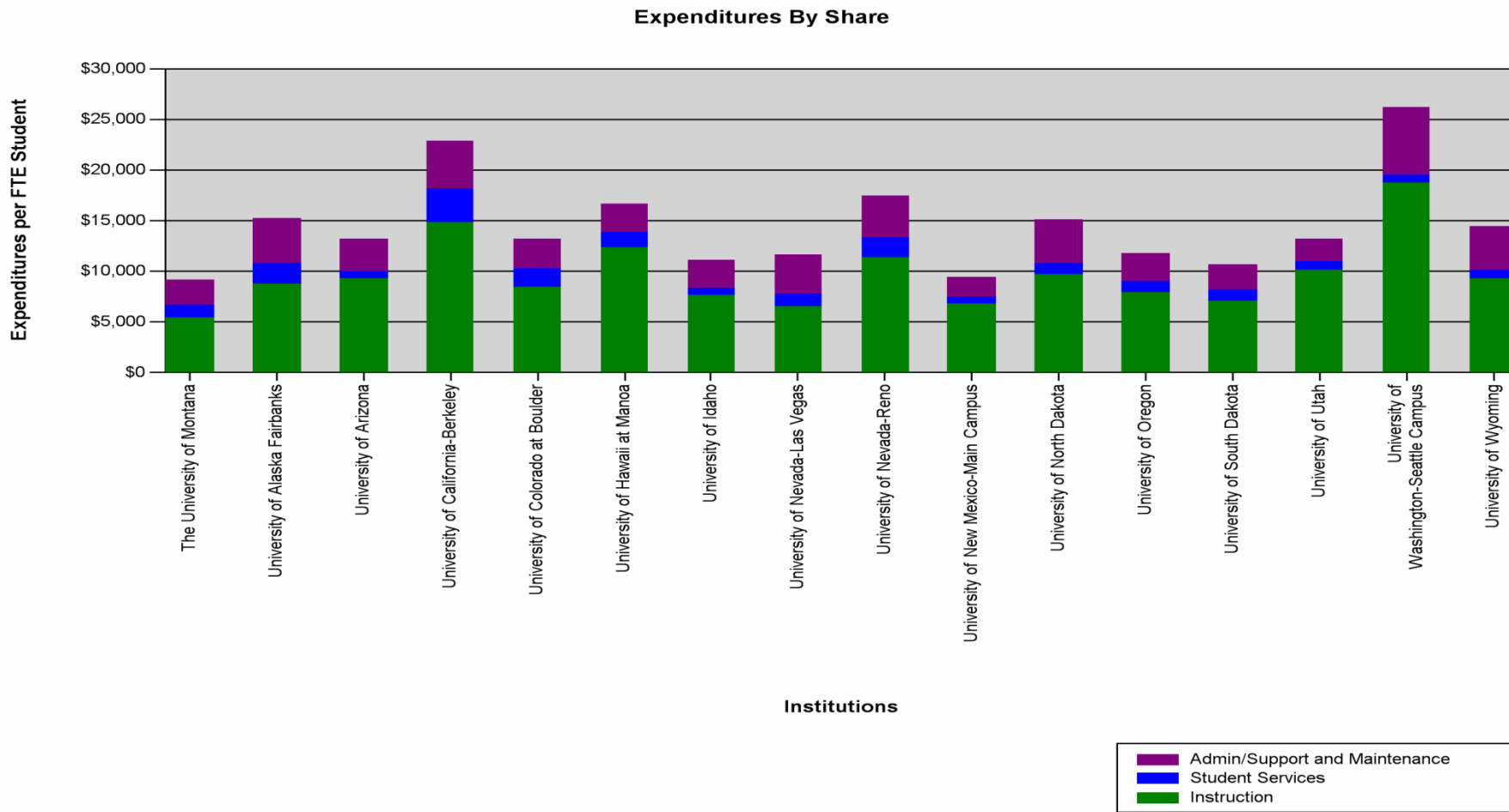
Expenditures By Main Grouping



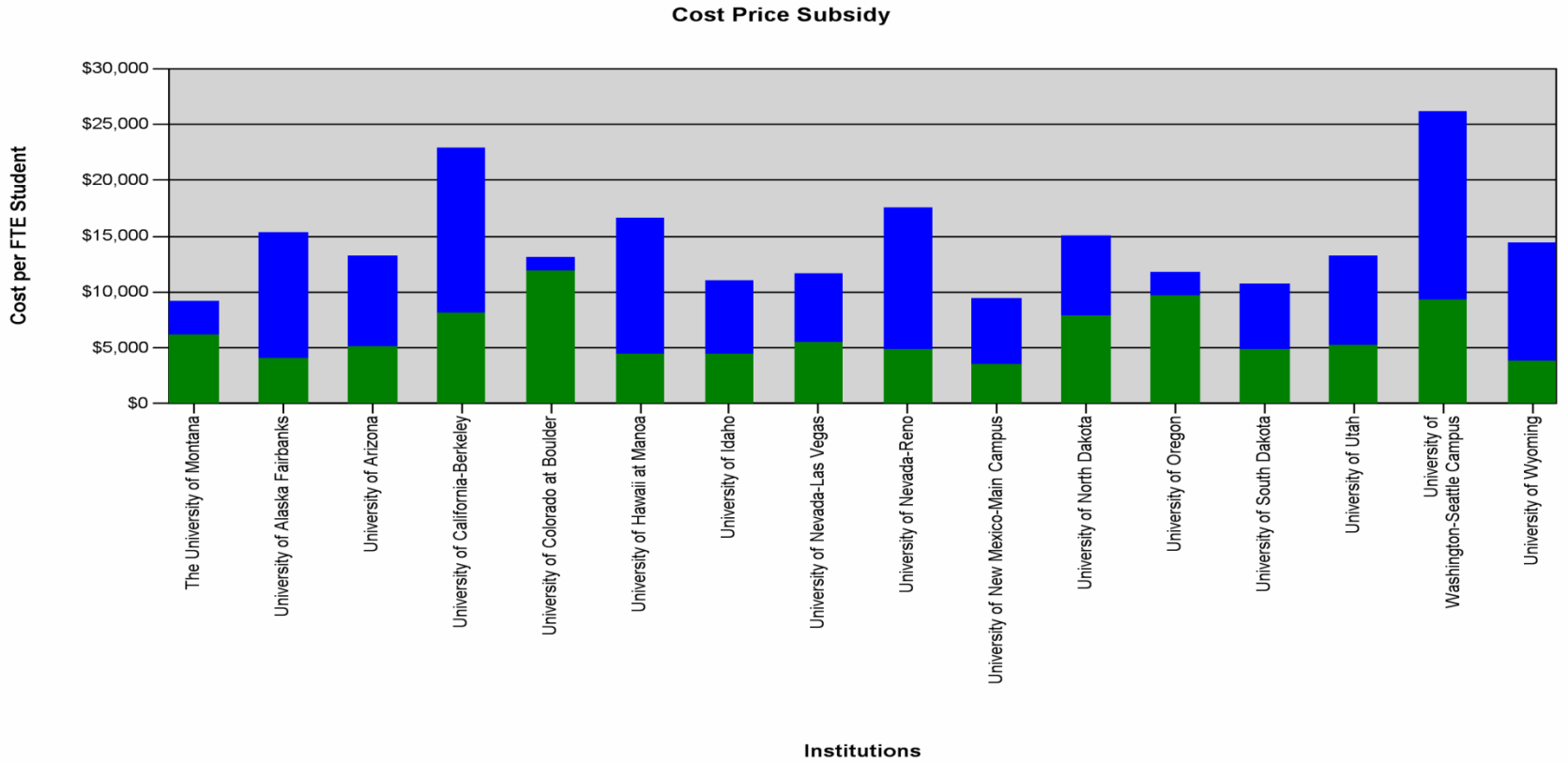
Institutions



Spending within E&R only – 2006, WICHE public research



And within E&R, the subsidy versus tuition share of costs



■ Average Subsidy
■ Net Tuition Revenue

Approaches to Reducing Costs and Achieving Greater Productivity

Cost reductions + productivity = cost effective

Cost reductions =

Permanent structural
reductions in spending

Productivity improvements =

Increase in output (learning,
research, jobs),
without changing admissions or
spending

Examples of cost reductions

- Reduce high cost/low demand programs
- Address retirement eligibility
- Reduce growth in health care
- Consolidate administrative functions
- Reduce subsidies to “self-supporting” auxiliaries (athletics, others)
- Restructure debt
- Restructure faculty compensation and rewards (use turnover to substitute teaching faculty for research faculty)

Examples of productivity improvements

- Increase in student retention and graduation
- Reduce excess credits accumulated to the degree
- Increase credit-by-exam
- Increase distance-based learning programs
- Increase proportion of graduates who meet goals for critical learning
- Increase proportion of students who remain – and are employed – in state

Building Cost-Effective Systems

- More appropriate mix of institutions
- Create new types of providers
- Effective collaboration among institutions
- More efficient use of existing resources

Building cost-effective institutions

- Reduce administrative costs
- Tackle 'automatic' cost increases
- Reengineer curricula
- Reengineer course delivery
- Eliminate or consolidate high cost/low demand programs

System and institution: Increase learning productivity

- Students come to college fully prepared (no remediation)
- Accelerated learning
- Minimize “rework” and reduce credits to degree
- Improve rates of course completion
- Encourage use of assessment/“test out” options
- Learning in the workplace/credit for experience

State-System Level Short-Term Actions

- Be clear about goals & accountability measures
 - Degree production
 - Reduced cost/degree
- Create a Coherent Financing Plan
 - Align policies regarding appropriations to institutions, tuition, & student aid policies
 - Treat different sectors differentially
 - “Reset” base funding levels
- Invest more (reduce less) state appropriations in institutions that must contribute most to student access and success

Short-Term Actions

(continued)

- Protect need-based financial aid
- Incorporate spending accountability into public reporting systems
- Set goals for cost reductions and productivity increases
- Have a plan for use of savings
 - Invest in reform
 - Return to General Fund

Long-Term State/System-level Actions

- Refocus institutional missions
 - Directly
 - Through de-funding certain programs/functions
- Require certain programs to be self-supporting (e.g., MBA)
- Align state & federal student aid programs – leave no federal money on the table
- Administer need-based aid as a state – not institutional – program
- Tackle developmental education on a statewide basis
 - Consider a separate delivery entity
- Undertake a policy audit with an eye toward eliminating unnecessary bureaucracy
- Adopt a strategy for investing in productivity enhancement
 - Course redesign on a system-wide basis
 - Retrofitting buildings for energy efficiency
 - Reengineered business processes
 - Inter-institutional collaboration