

The Legislative Role in Promoting Productivity in Higher Education



presented to
WICHE Legislative Advisory Committee
Boulder, CO
September 28, 2009



NCHEMS

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

The Reality of Higher Expectations

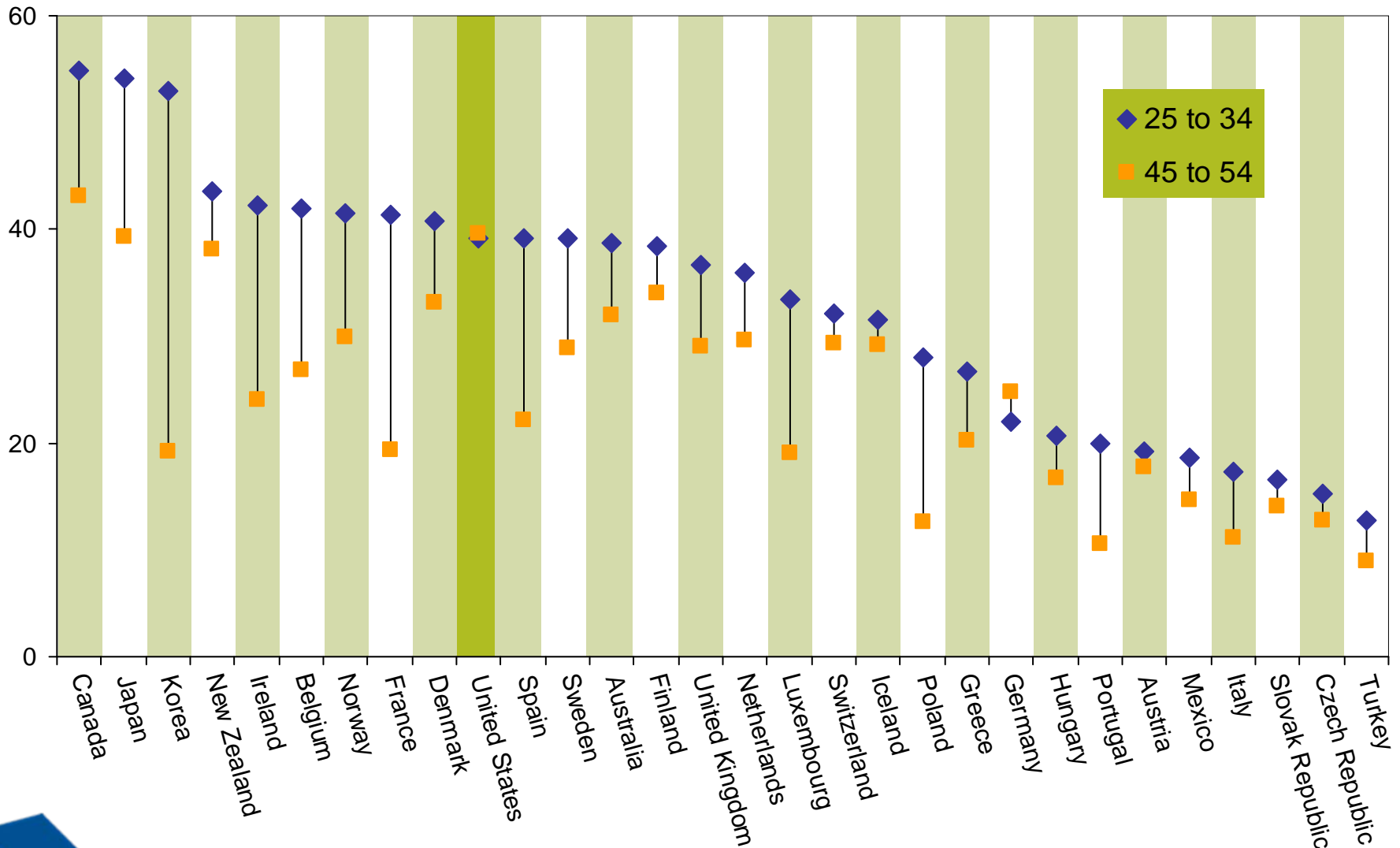
“By 2020, America will once again have the highest proportion of college graduates in the world”

- *President Obama, 2/24/09*

- State Level Goals

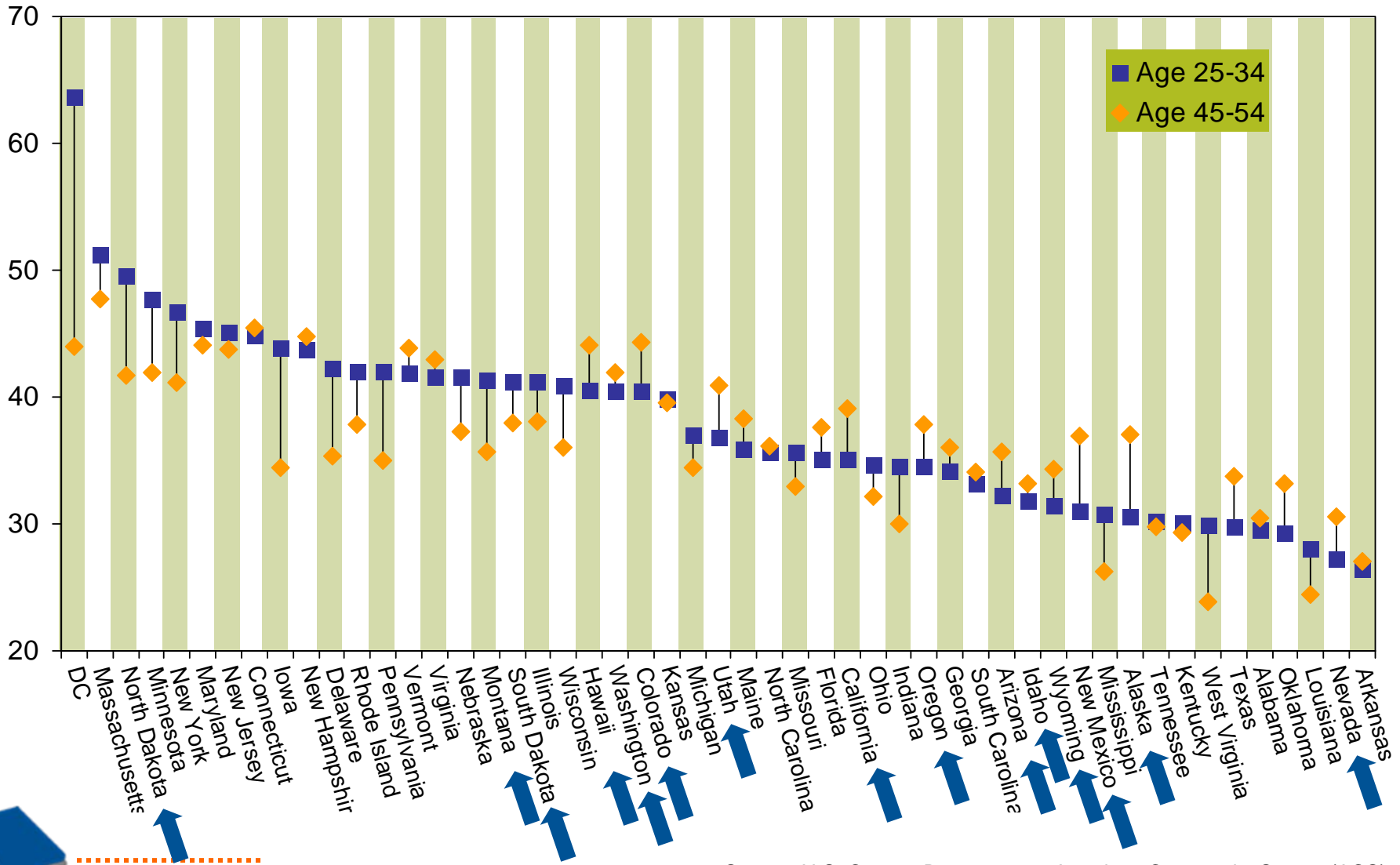
- Double the numbers in Arizona, Colorado, & Kentucky
- Global Competitiveness in Minnesota and Texas
- 40-40-20 in Oregon

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



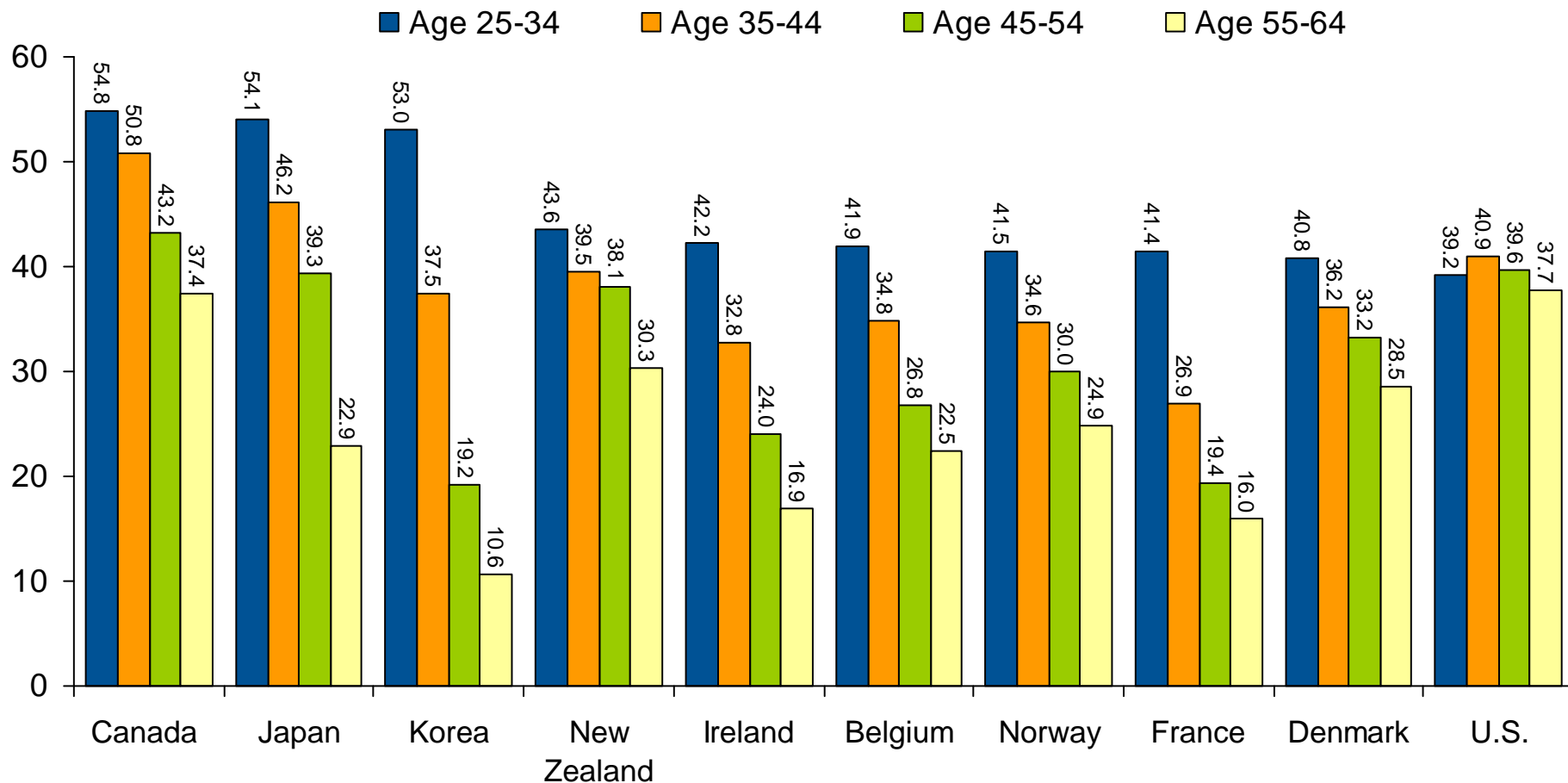
Source: Organisation for Economic Co-operation and Development (OECD), *Education at a Glance 2008*

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

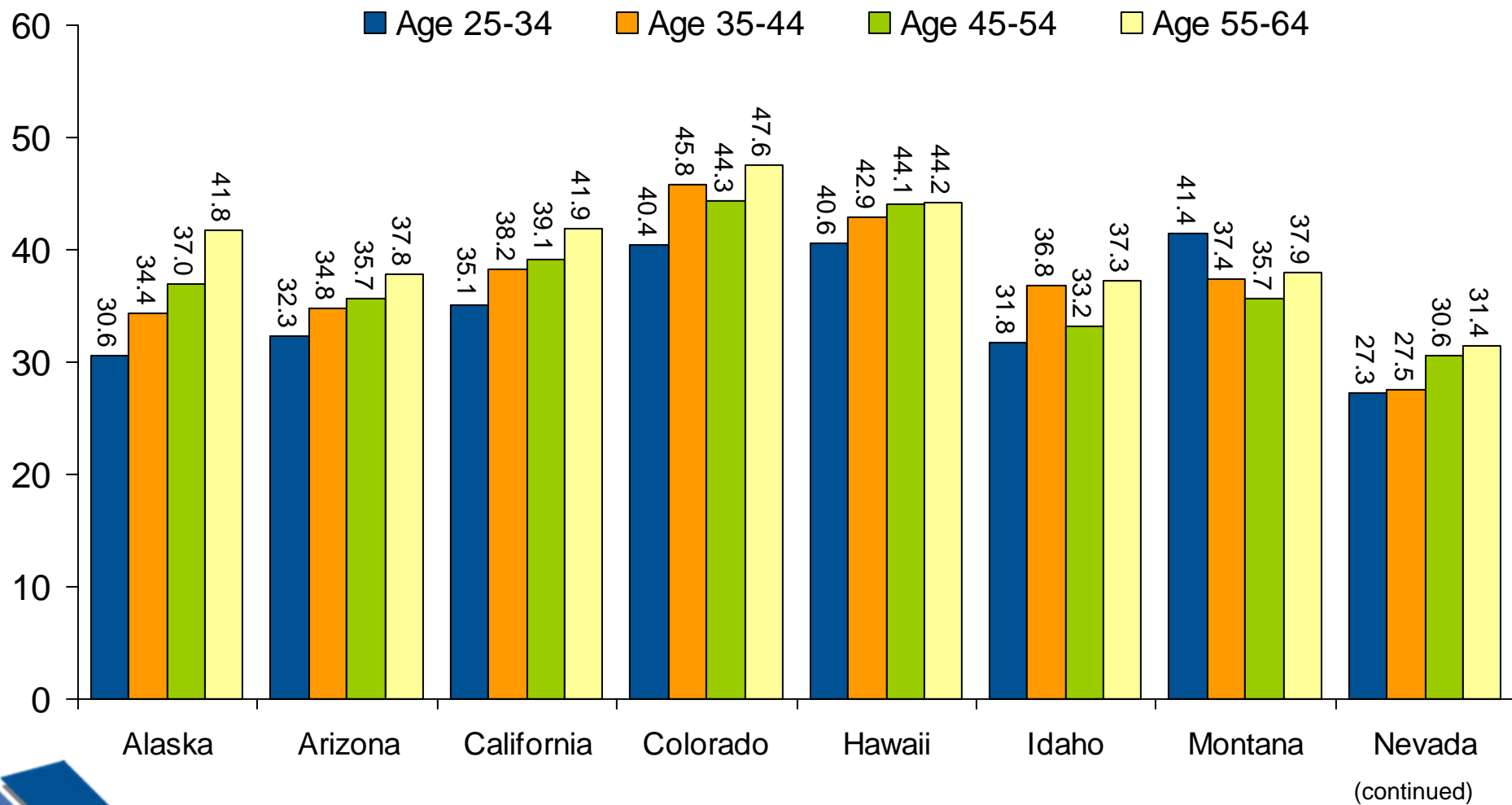


Source: U.S. Census Bureau, 2006 American Community Survey (ACS)

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

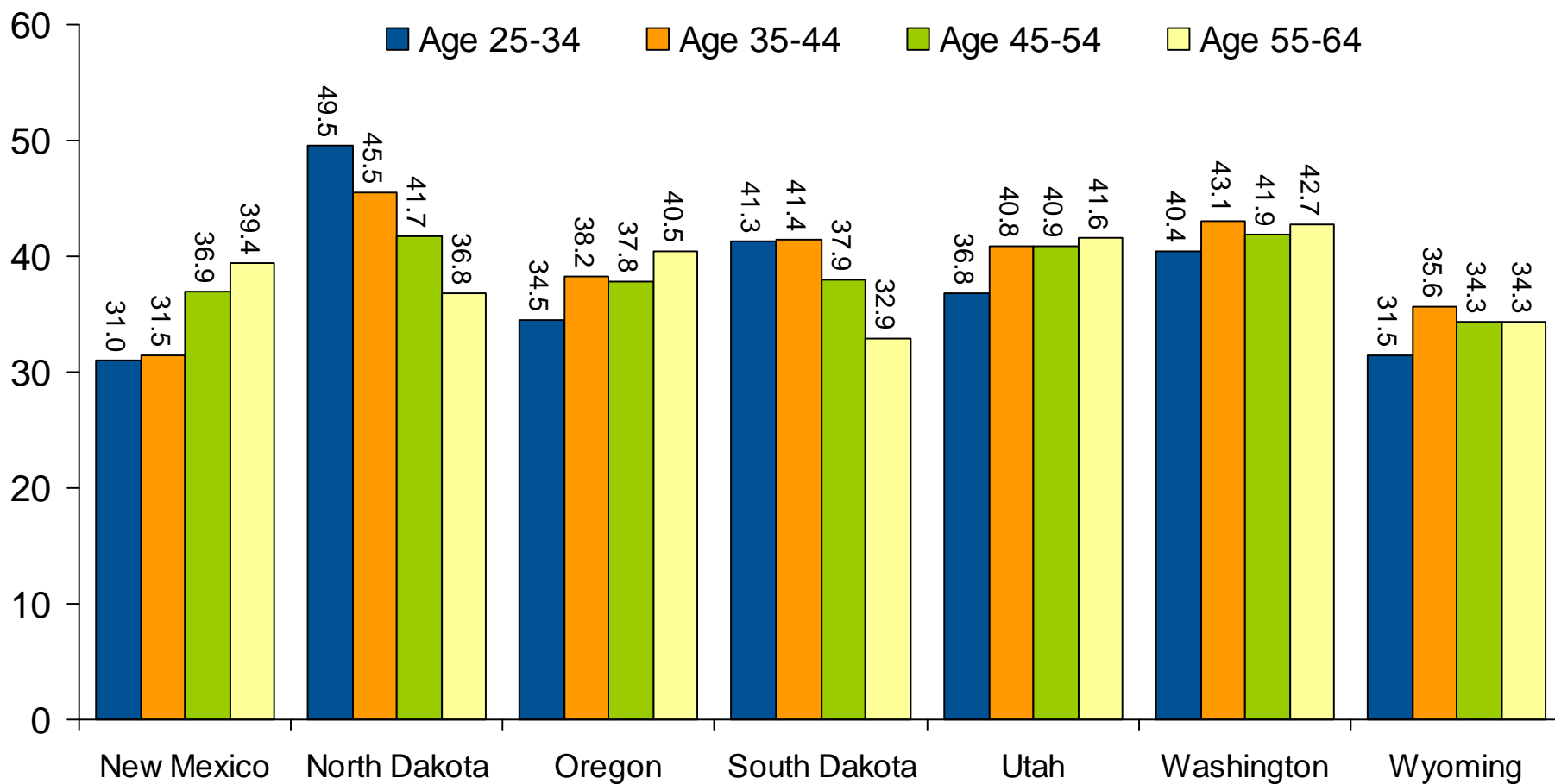


Percent of Adults with an Associate Degree or Higher by Age Group—WICHE States

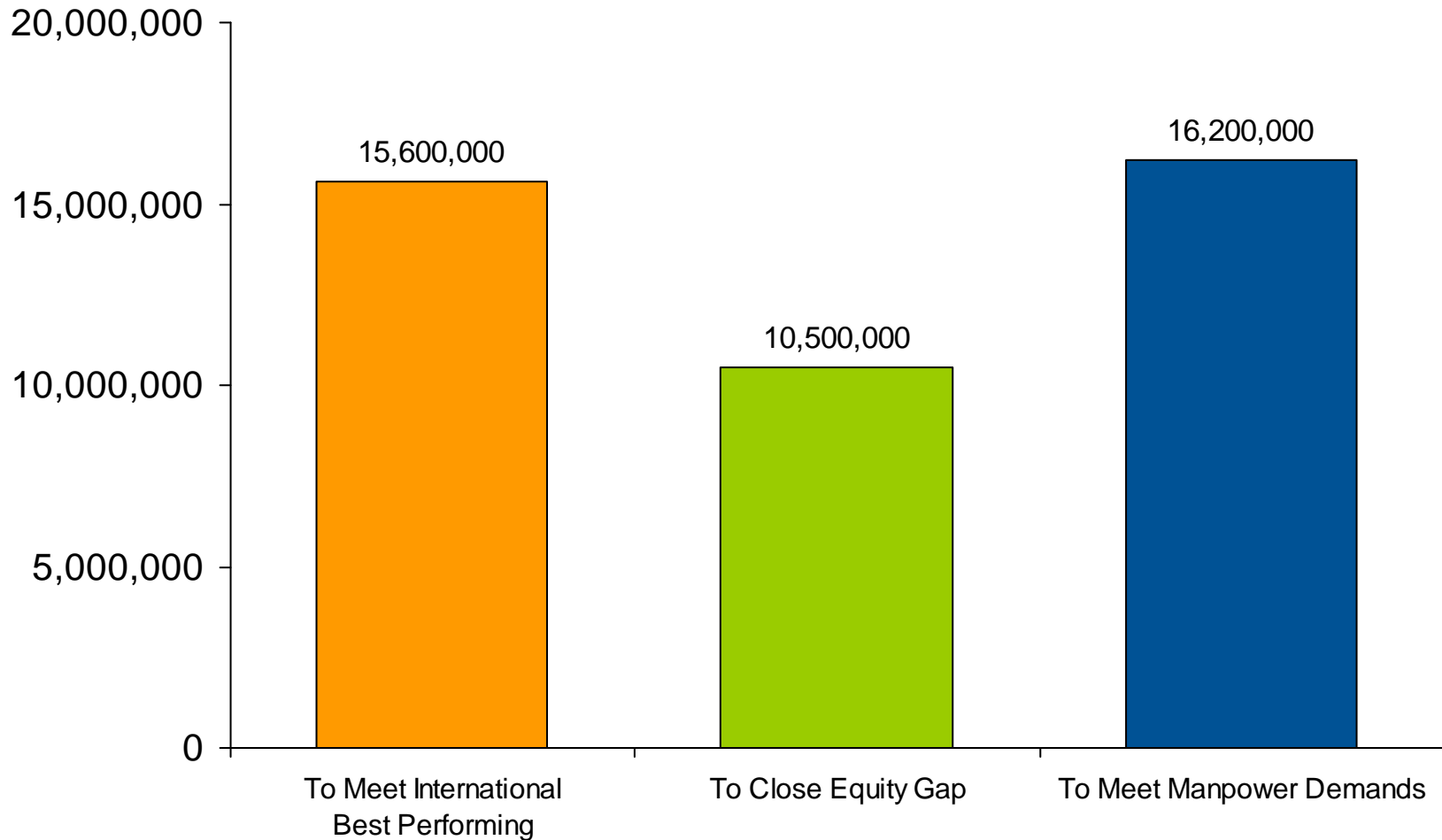


(continued)

Percent of Adults with an Associate Degree or Higher by Age Group—WICHE States (continued)

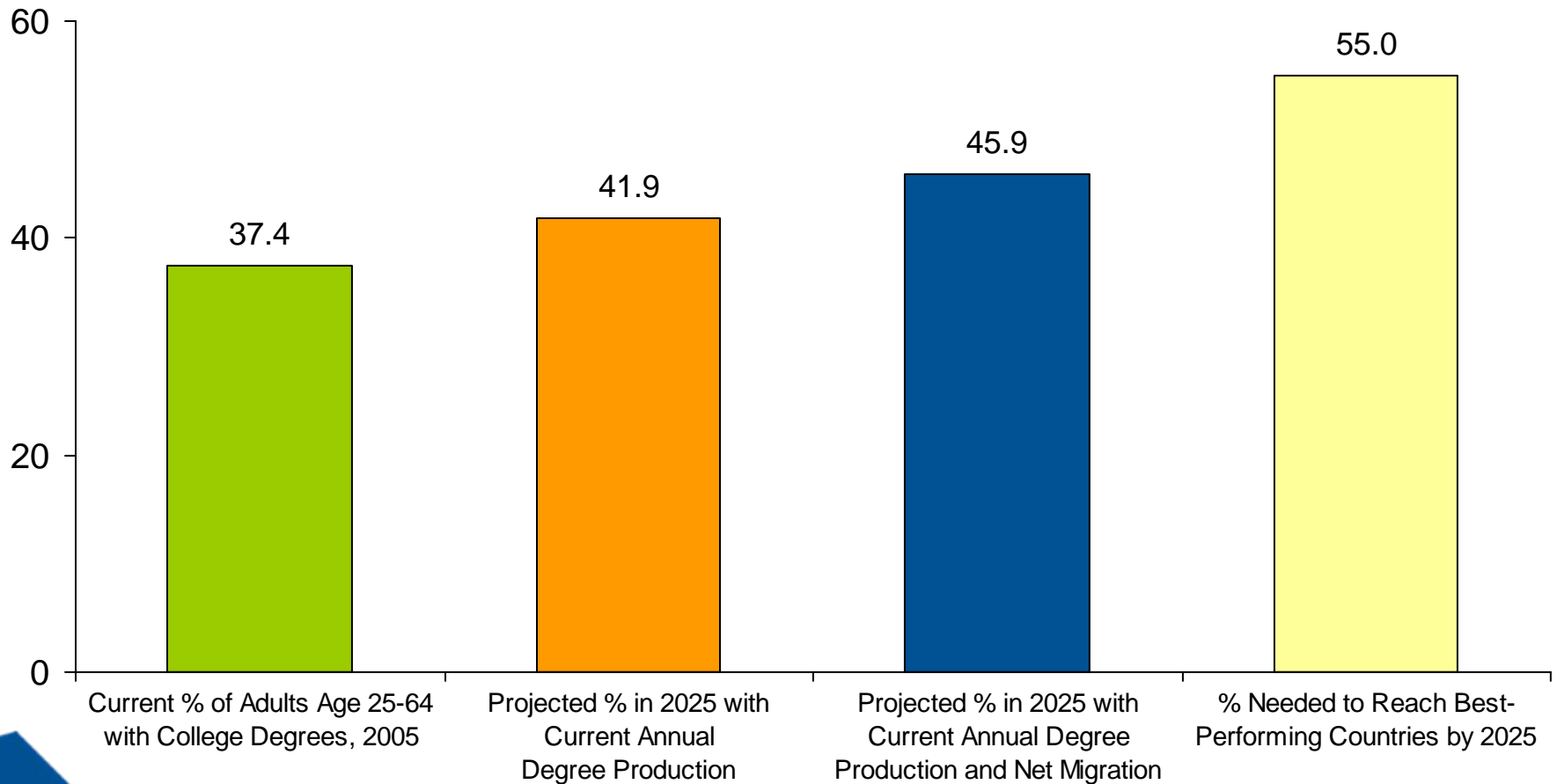


Closing the Gap - Number of Degrees Required Beyond Current Production



Educational Attainment (Percent)

Current, In 2025 with Current Degree Production, and Best-Performing Countries in 2025

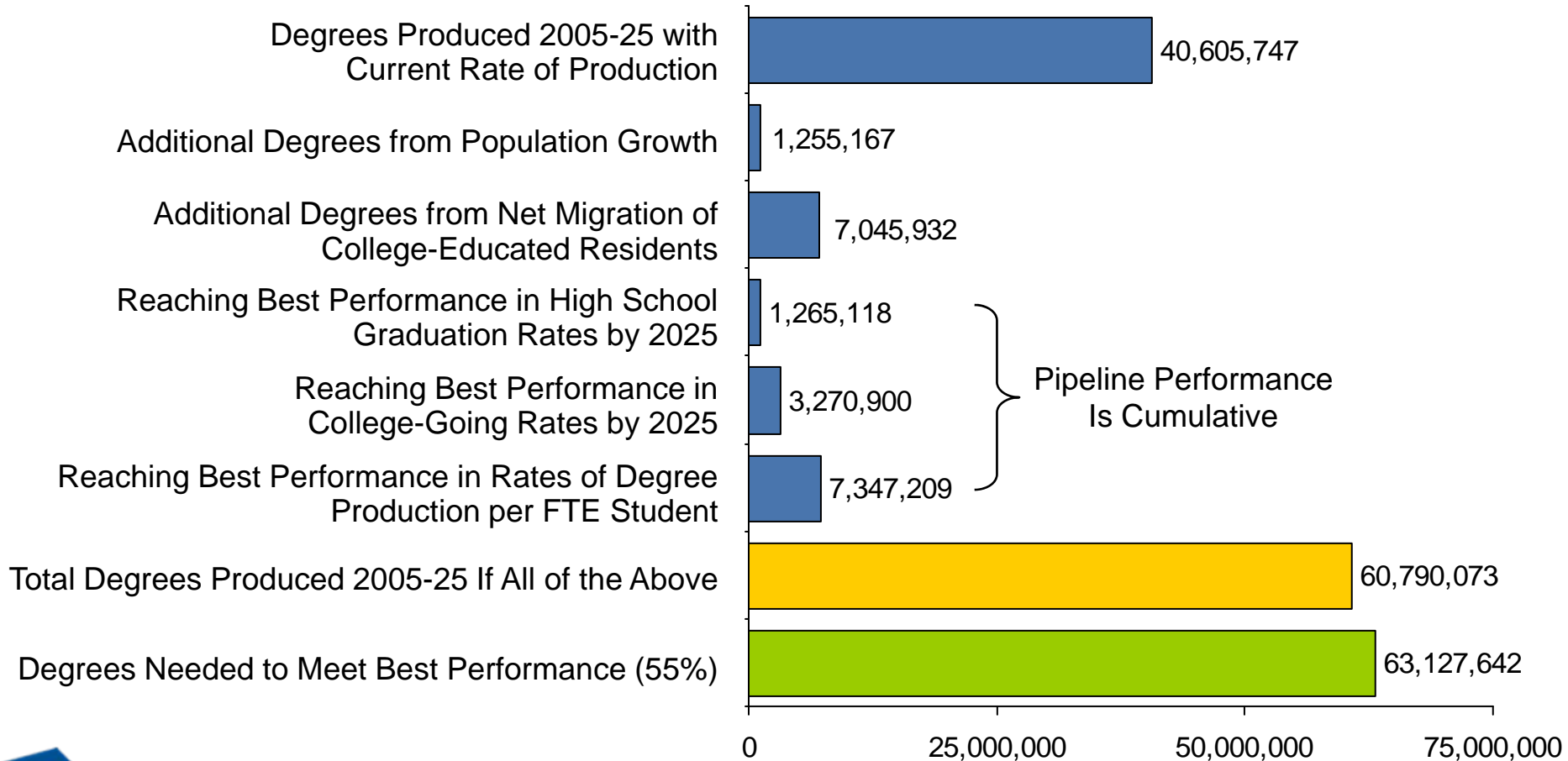


Reaching Top Performance by 2025 (55%)– United States

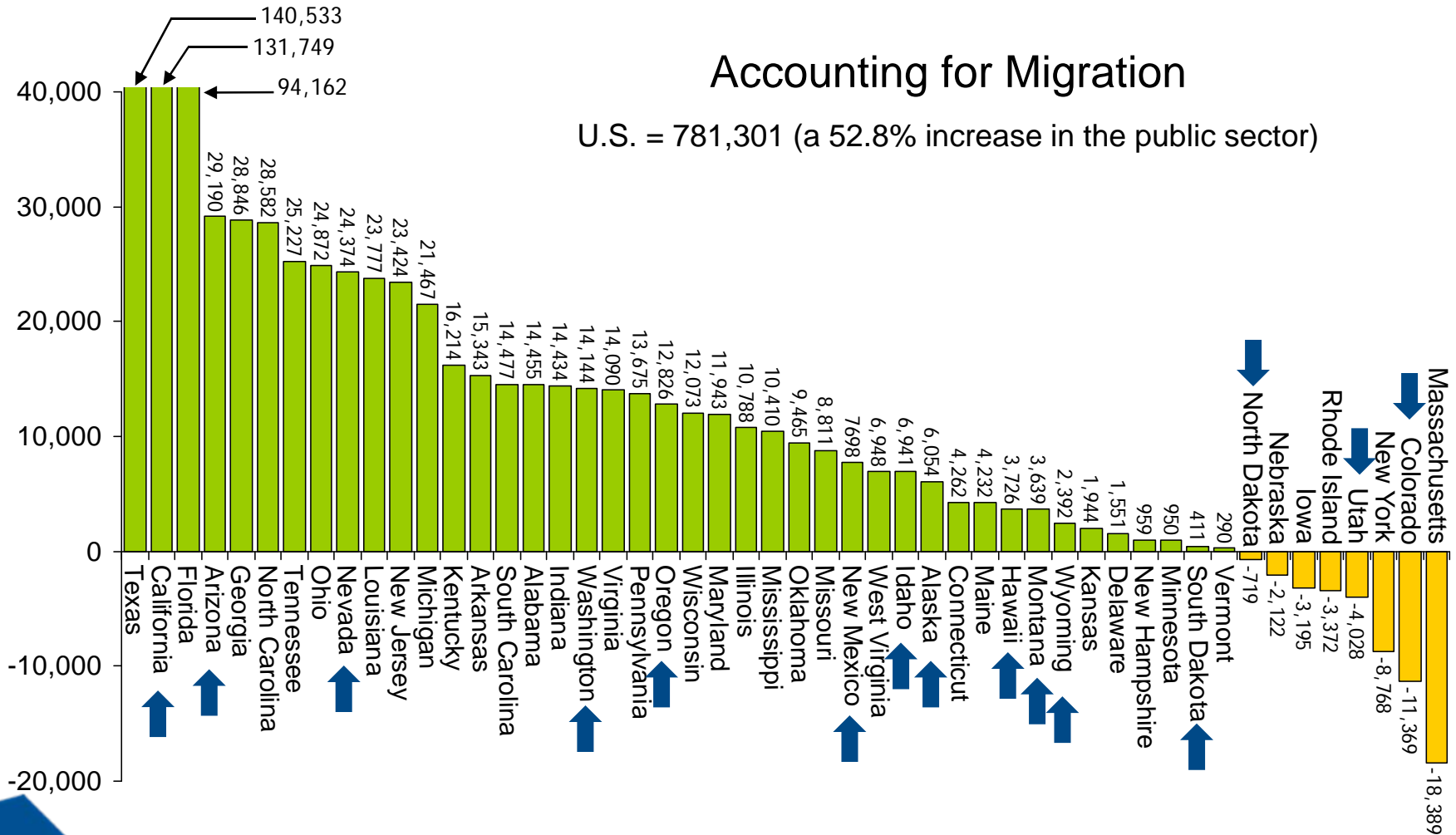
94,510,473	Number of Individuals to Match Best-Performing Countries (55%)
31,382,831	Number of Individuals (Age 25-44) Who Already Have Degrees
63,127,642	Additional Degree Production Needed (2005 to 2025)
40,605,747	Degrees Produced at Current Annual Rate of Production
7,045,932	Additional Residents with College Degrees from Net Migration
15,626,080	Additional Degrees Needed
781,304	Additional Degrees Needed per Year (Currently Produce 2,135,924 in All Sectors)
52.8%	Increase in Annual Associate and Bachelor's Degree Production Needed (in Public Sector Only)

How Can the U.S. Reach International Competitiveness?

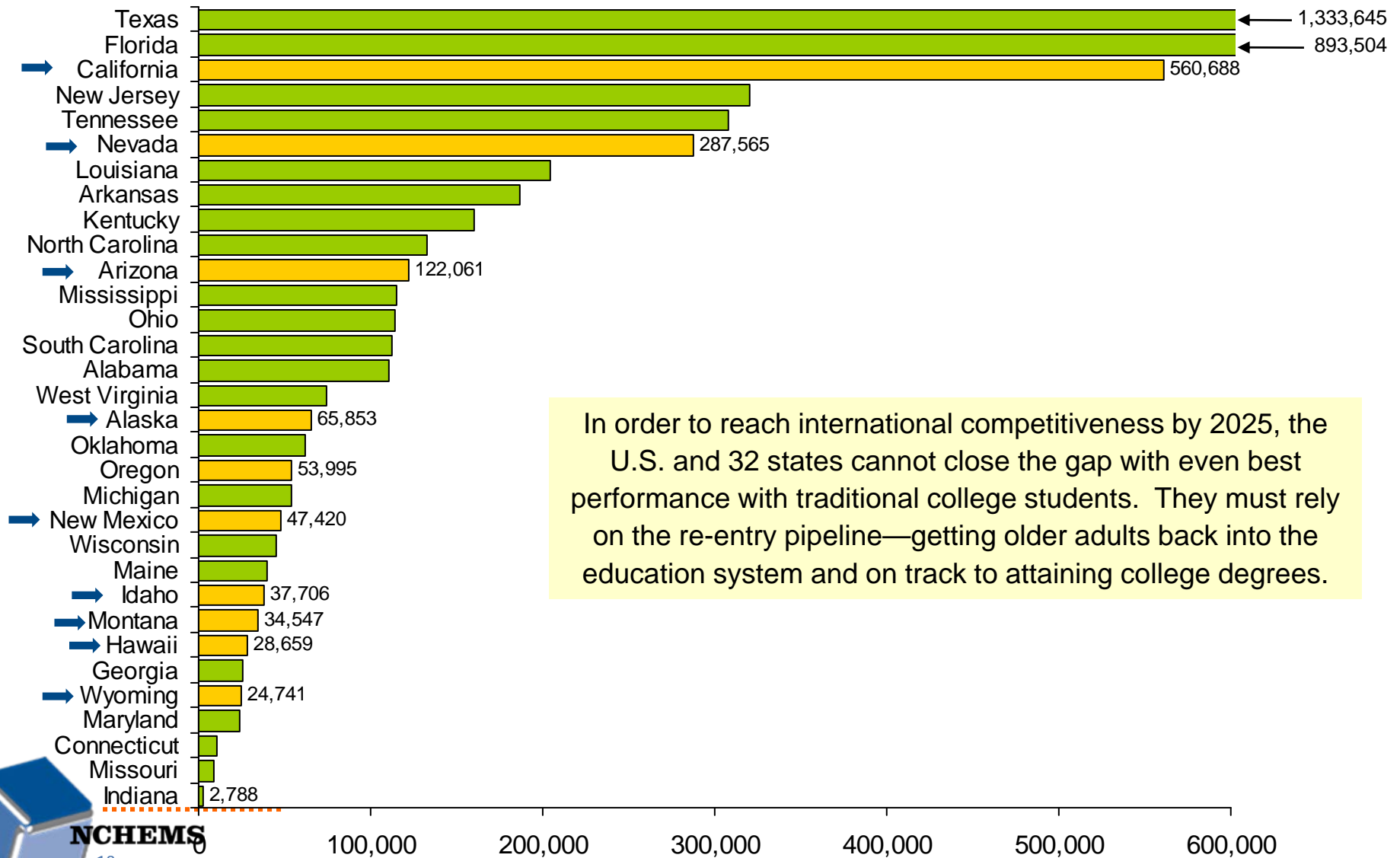
Current Degree Production Combined with Population Growth and Migration and Improved Performance on the Student Pipeline Measures



The "Gap" - Difference in Annual Degrees Currently Produced and Annual Degrees Needed to Meet Benchmark

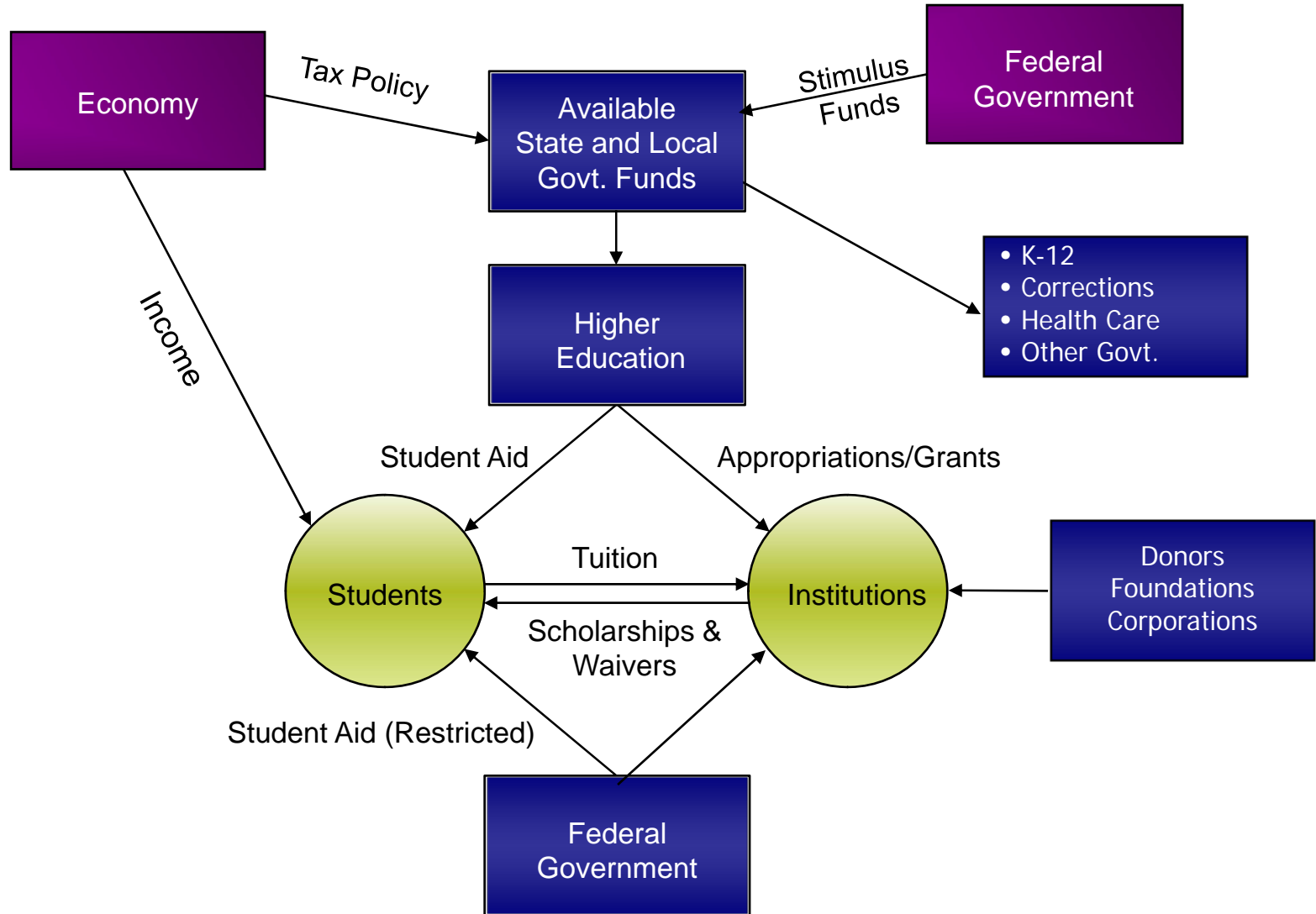


Even Best Performance with Traditional College-Age Students at Each Stage of the Educational Pipeline Will Leave Gaps in More than 30 States

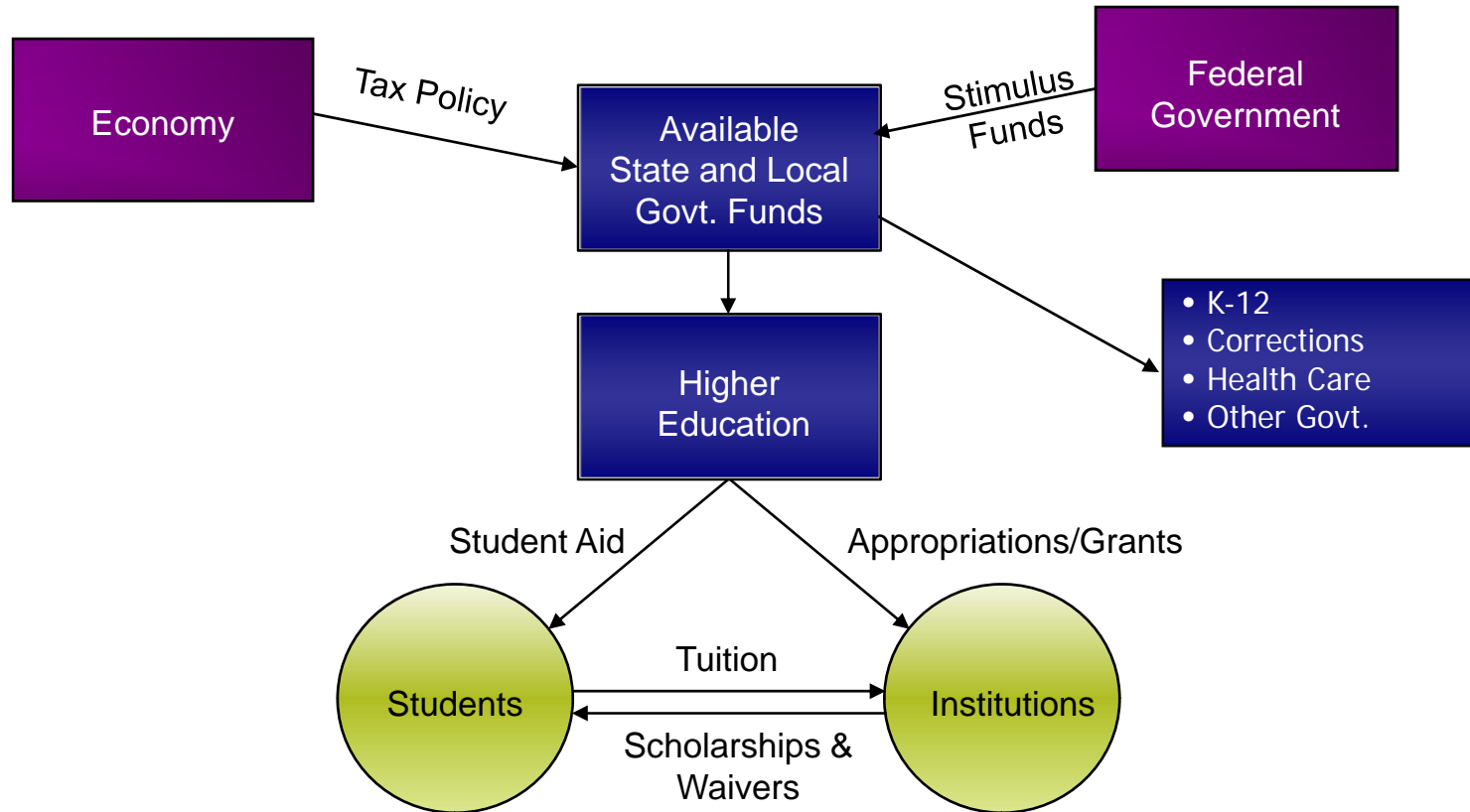


FINANCIAL ENVIRONMENT

The Flow of Funds



The Flow of Funds - State

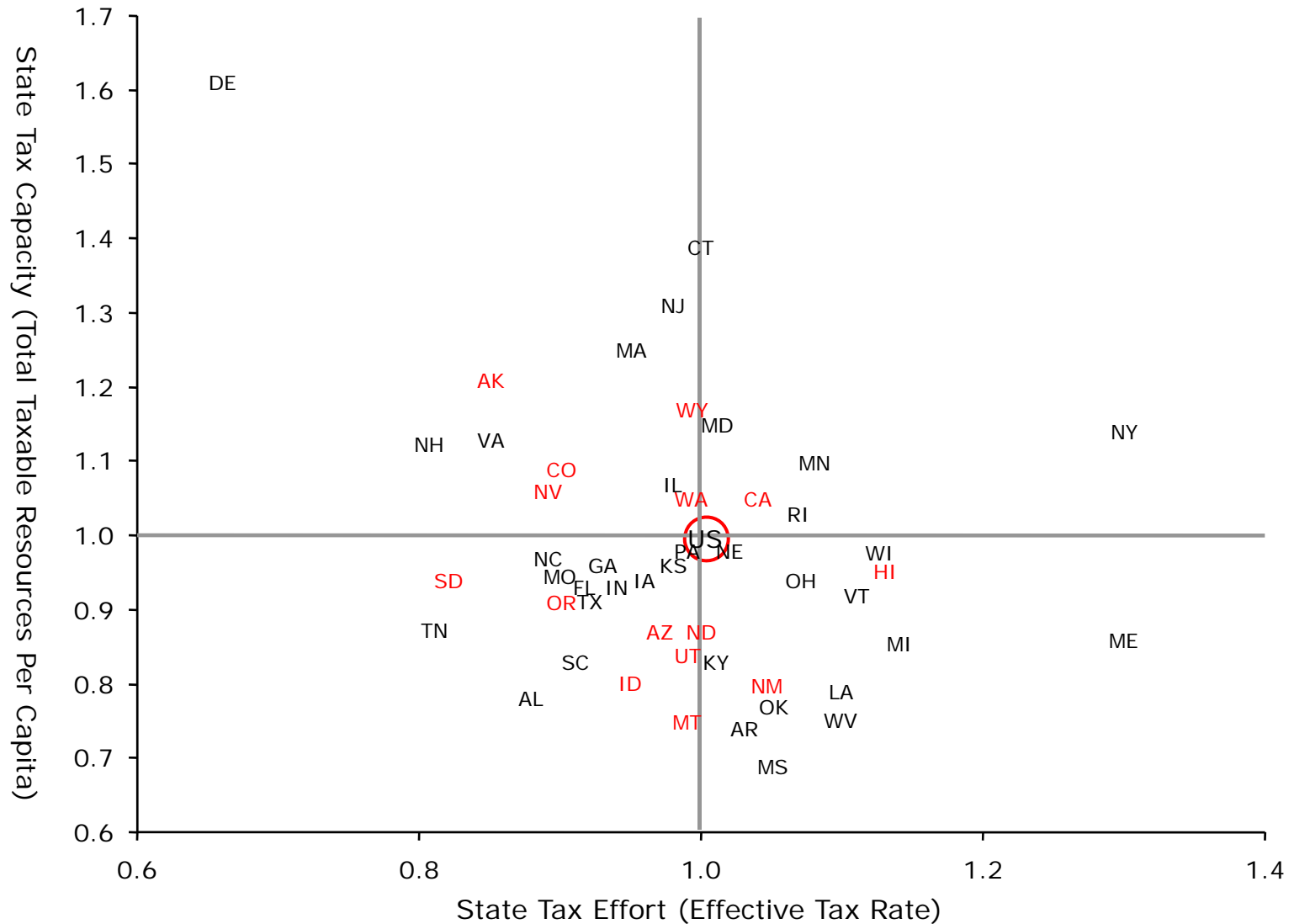




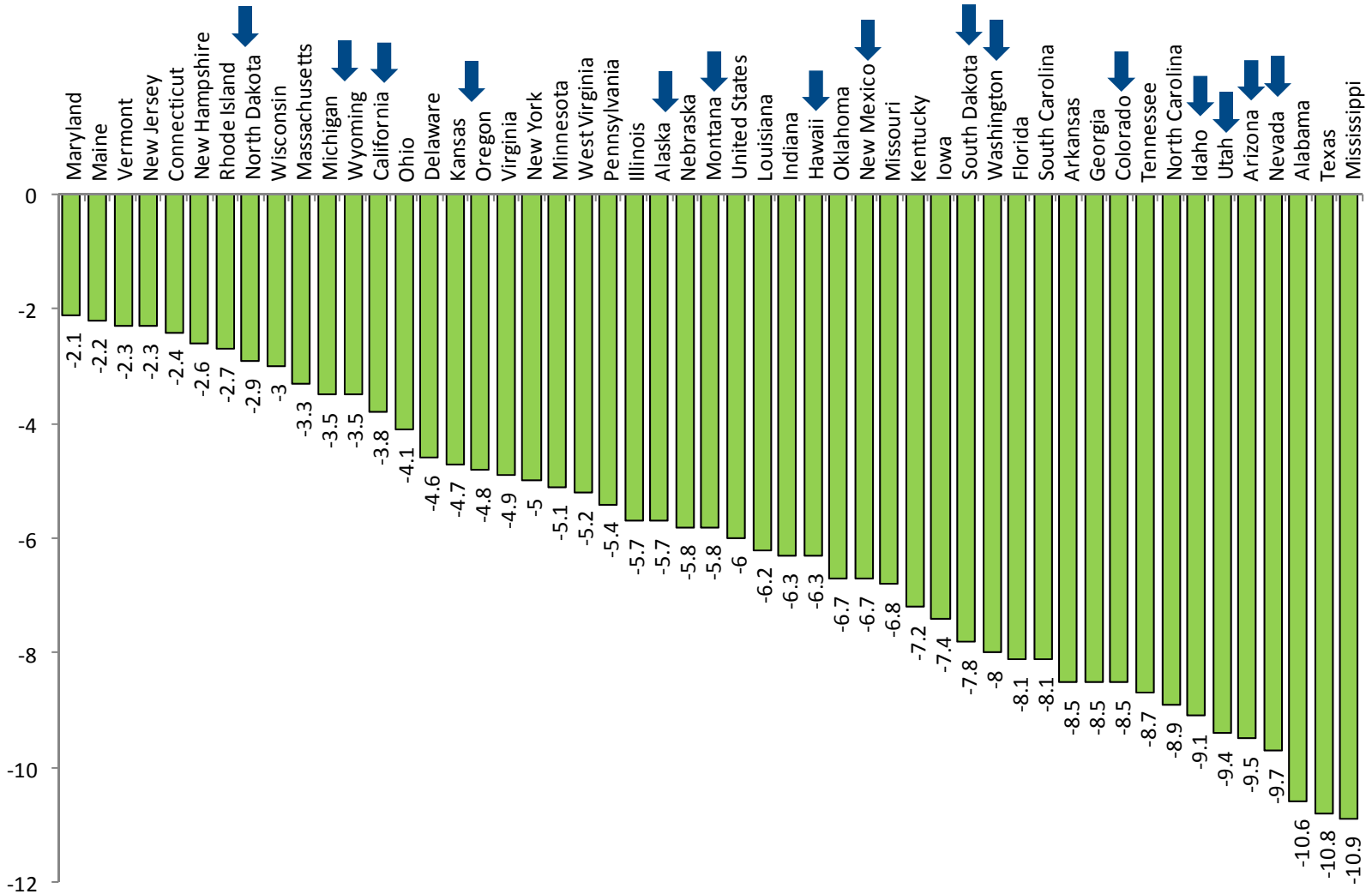
First, recognize that many
state governments
have serious financial problems.

And they're not going to recover quickly.

State Tax Capacity and Effort—Indexed to U.S. Average



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

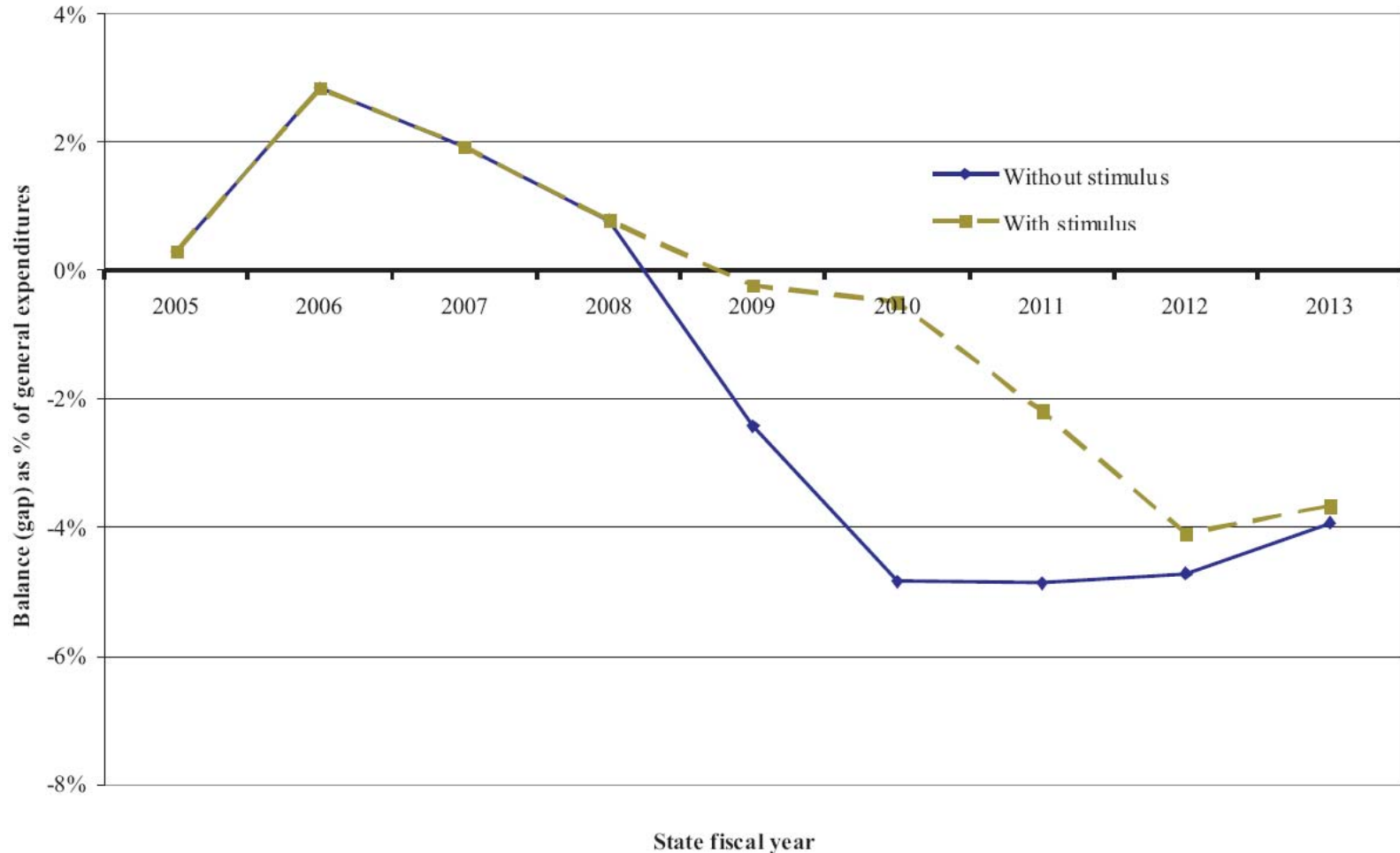


Second, recognize that for most states - and for most public institutions - the stimulus package is not an answer

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

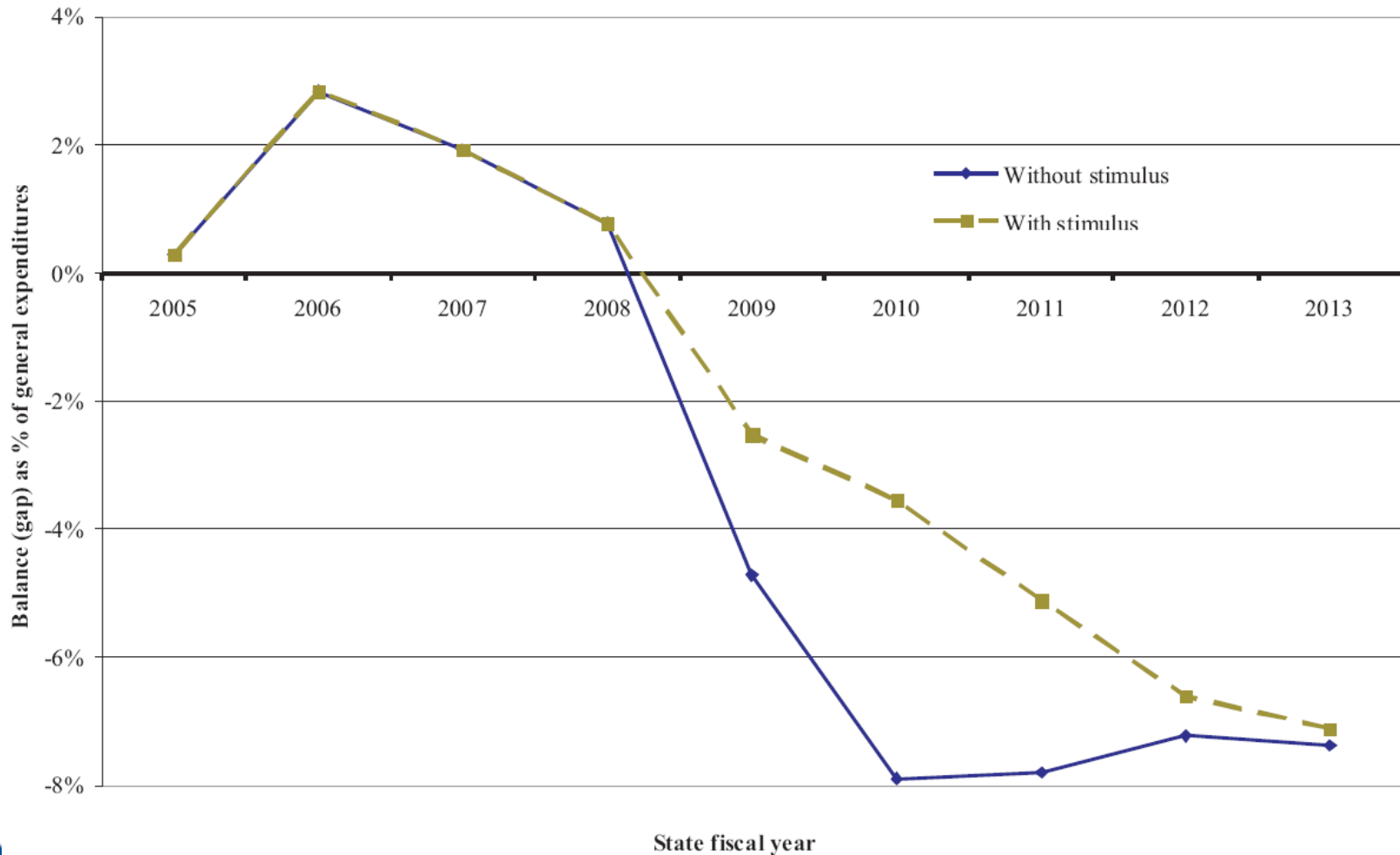
After stimulus wanes, gaps could approximate 4% of spending, or \$70 billion, even under the "Low-Gap" Scenario

**"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

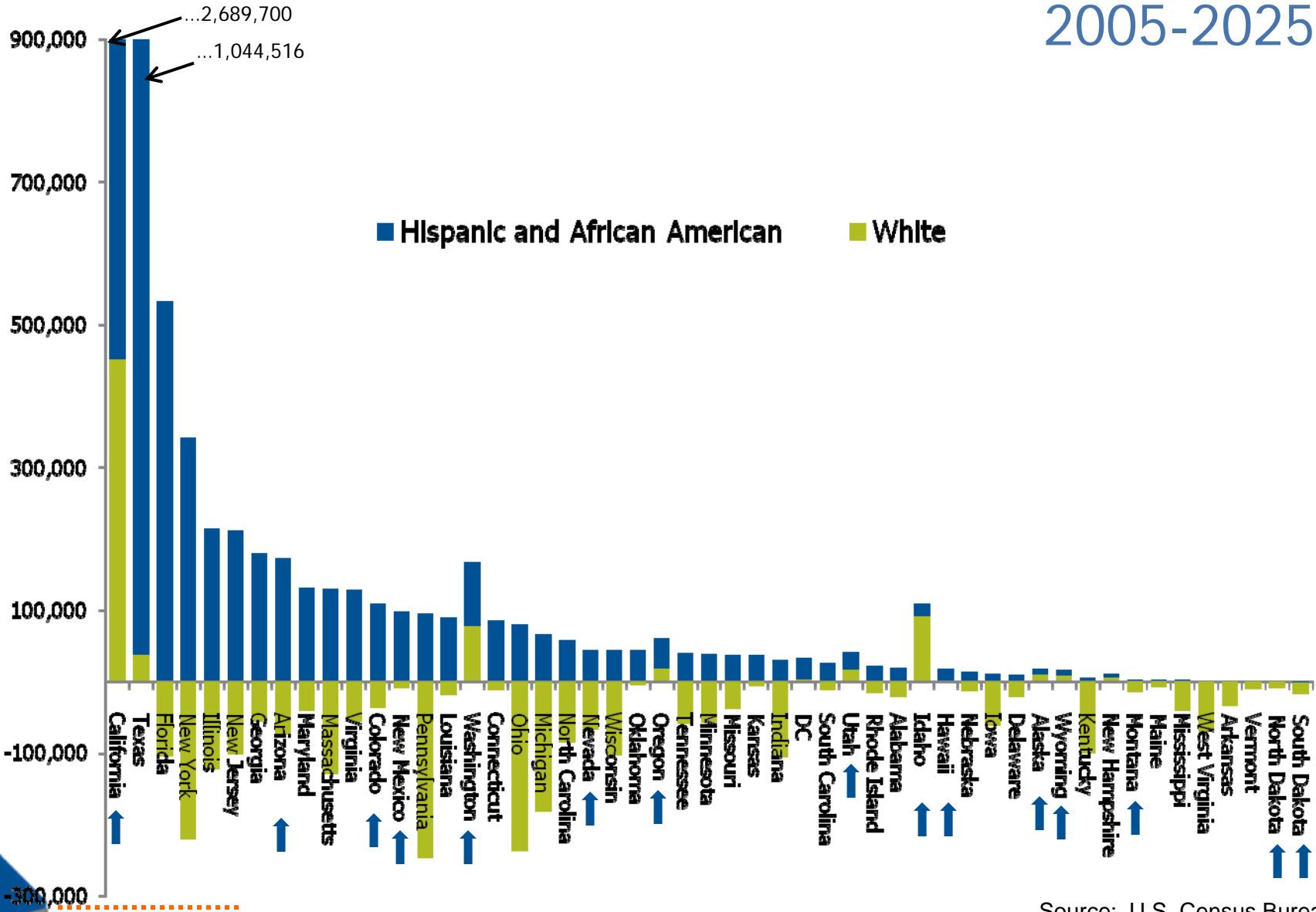
"High-Gap" Scenario:
State General Revenue Minus Expenditures With and Without Federal Stimulus



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

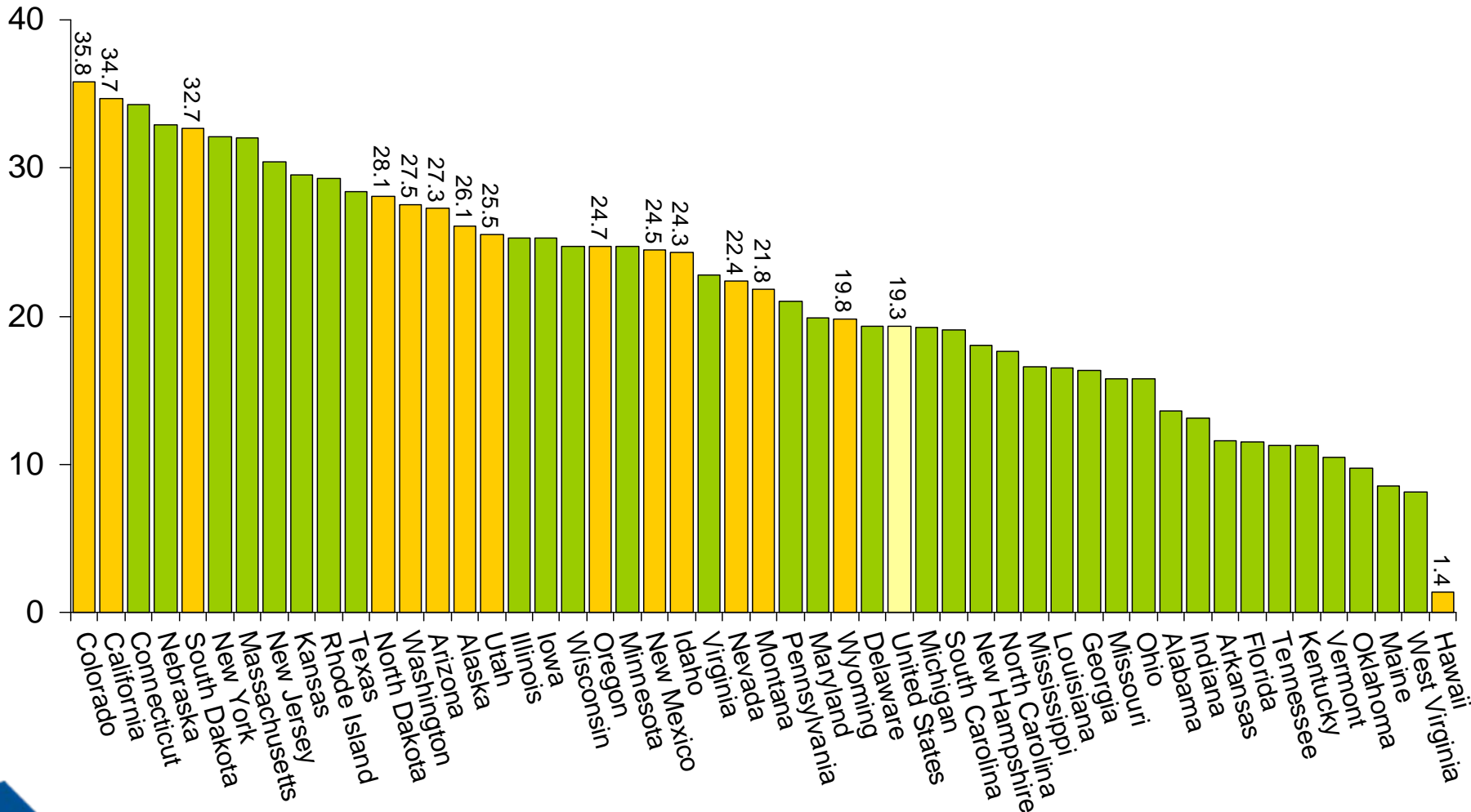
Therefore there are real limits as to how high tuition can go before price affects participation and completion.

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



Source: U.S. Census Bureau

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



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

Collective Cost to States, Assuming Tuition Stays the Same

\$31 Billion = Annual Costs of Additional Students
at Current \$ per Student

\$78.2 Billion = Current State Contribution

39.7% = Percent Increase in Annual State
Support Needed

Average Cost to Students, Assuming No Additional State Investment

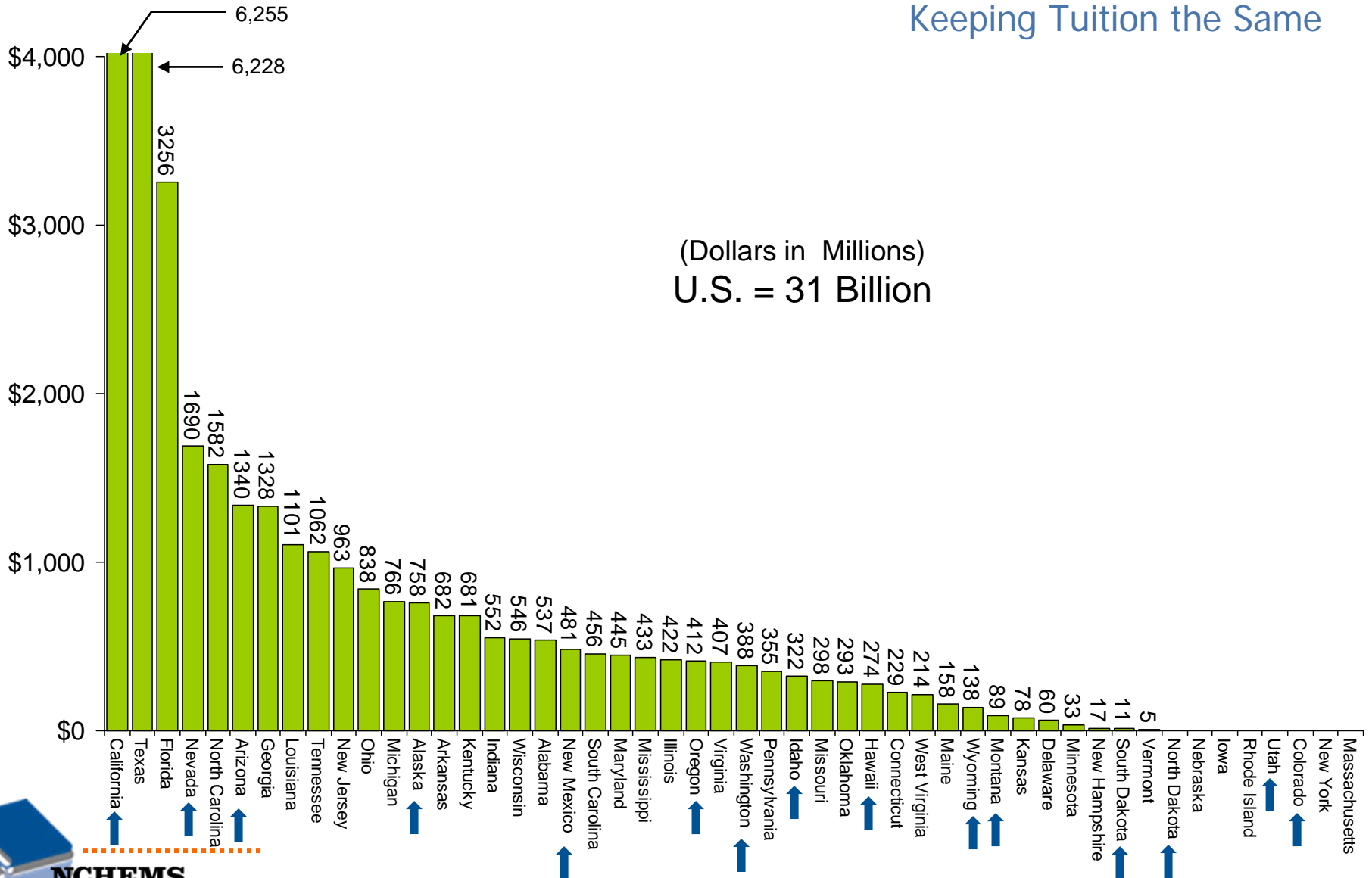
\$2,565 = Additional Annual Costs to Students at
Public Four-Year Institutions

47.9% Increase in Tuition and Fees
(Currently \$5,355)

\$1,824 = Additional Annual Costs to Students at
Public Two-Year Institutions

108.8% Increase in Tuition and Fees
(Currently \$1,677)

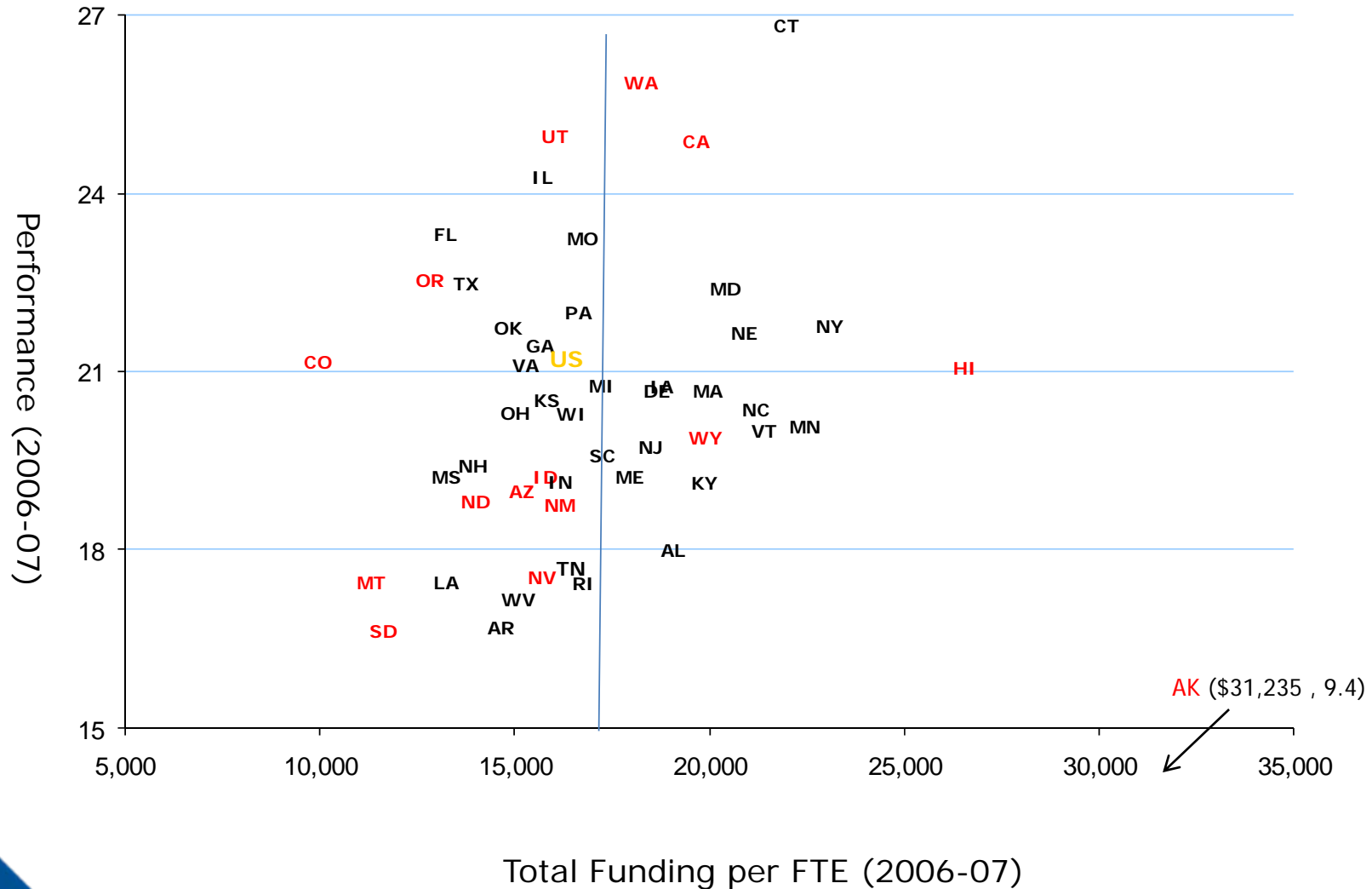
Additional Annual Costs at Current Funding Levels Per Student to States & Localities to Reach Benchmark Keeping Tuition the Same



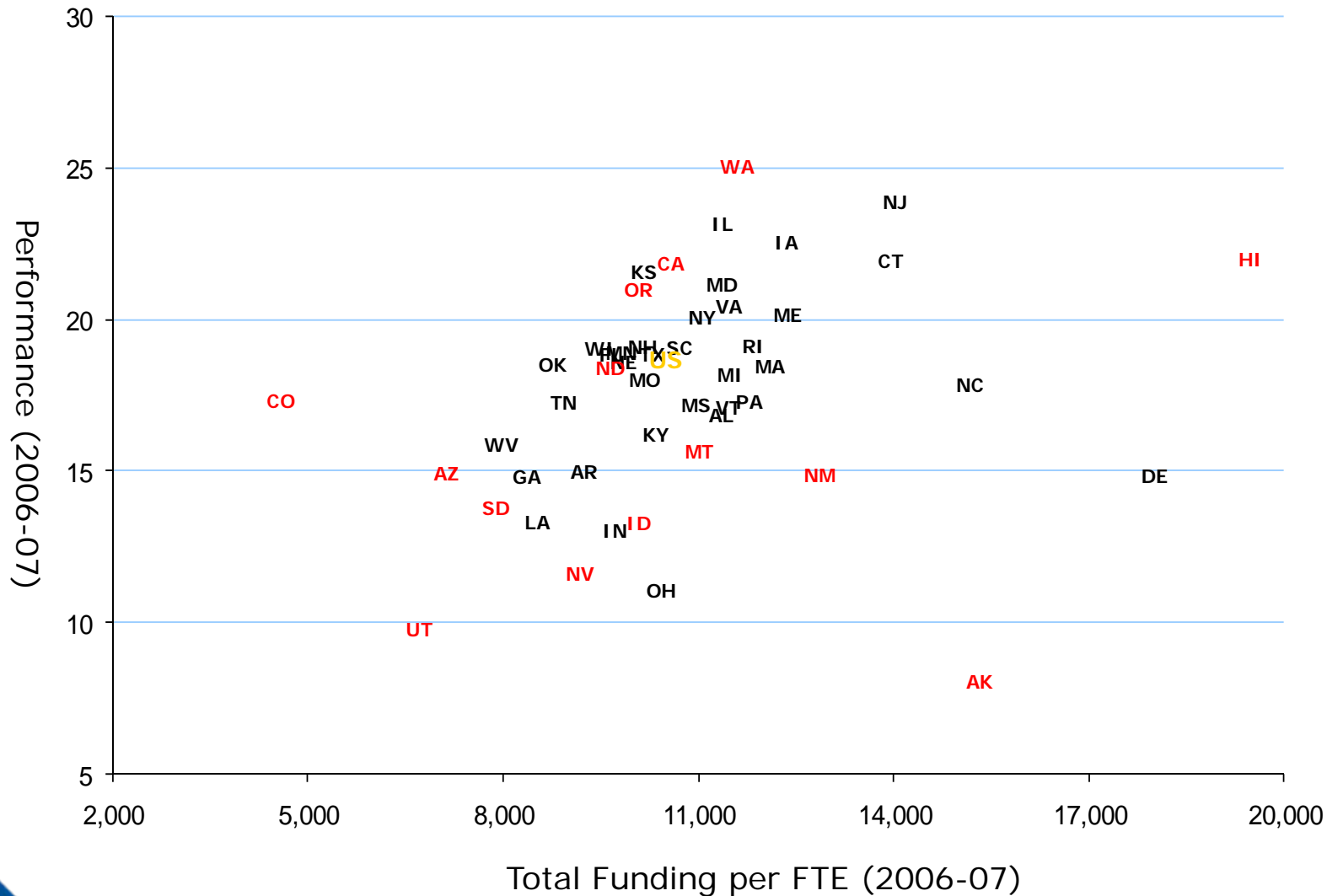
The Imperative of Improved Productivity

- The country – and most states – can't afford the necessary gains doing business as usual
- And there is evidence that productivity gains are possible

Performance Relative to Funding: Bachelors Degrees Awarded per 100 FTE Undergraduates (Public Research Institutions)



Performance Relative to Funding: Bachelors Degrees Awarded per 100 FTE Undergraduates (Public Bachelors and Masters)



Approaches to Achieving Greater Productivity

- Build cost-effective systems
- Change the academic production function
- Reduce demand each student places on the system
- Reduce leaks in the pipeline

Building Cost-Effective Systems

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

Changing the Academic Production Function

- Create programs of cost-effective size (elimination in some cases, collaboration in others)
- Reengineer curricula
- Reengineer course delivery
- Change composition and deployment of human assets

Reducing Demands Each Student Places on the System

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

Reducing Leaks in the Pipeline

- Curricula Alignment
- Financial Aid incentives
- Early-warning systems
- Improved consumer information

Expectations

- Maintain access – serve an increasing number of students
- Maintain affordability to both students and the state



Invest stimulus funds in:

- Developing more cost-effective ways of doing business
- Paying for the transition

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
- Mandate increases in instructional productivity
 - SCHs per FTE faculty
 - Have a plan for use of savings
 - Invest in reform
 - Return to General Fund

Long-Term 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

For More Information

Dennis Jones

dennis@nchems.org

and visit

NCHEMS Information Center for Higher Education
Policymaking and Analysis

www.higheredinfo.org