Changing Direction: Leadership Institute
(AGB & WICHE Through Lumina)

Chicago, Illinois
October 5, 2004

Presented by
David Longanecker
Executive Director, WICHE

ATFA +
The States & Feds Working in Sync
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
Prerequisite conditions to achieving your state goals

- **Human capital**
  - High school graduates who are college ready
  - High level of postsecondary participation
  - High level of postsecondary success
  - Relevance of education to state’s economy

- **Physical capital**
  - Basic institutional capacity
  - Specialized resources
The flow of funds for instruction

The flow of funds

- Economy
- State and Local Government
- Federal Government
- Students
- Institutions

Source: modified from NCHEMS original
The domain of state-level allocation decisions

- State
- Other Programs/Agencies
- Higher Education
- Students
- Institutions

- Tuition
- Institutional aid
- Student financial aid
- Appropriations

- Amounts
- Allocation criteria

Source: NCHEMS
Financial aid

- 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
<table>
<thead>
<tr>
<th>Type of aid</th>
<th>FY 1994</th>
<th>FY 1999</th>
<th>Change in $</th>
<th>Change in %</th>
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<td>Need-based</td>
<td>$2,424</td>
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Relationship between “need-based” and “merit-based” aid
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States Out of Sync – More recent trends

- Within financial aid – need trumping merit.
- But within ATFA – tuition trumping aid
  - In most states, aid is still an afterthought
  - Even within “the enlightened few”, percentages cloud $$ discrepancies
  - Notable exceptions – Arizona Board of Regents
States Out of Sync – Your gift to the Feds

- Ignoring Federal Tuition Tax Credits
  - What’s available
    - $1,500 Tax Credit against tuition
    - $2,000 Tax Deduction (20% of tuition)
  - But only if student/family pays tuition
    - Offset by many state merit awards
    - Offset by institutional tuition remission
  - Easily remedied, but seldom done
States In Sync

- Minnesota – Design for Shared Responsibility
  - Dilemma – Punished for rationality
- On The Move (in the West . . .)
  - Arizona – Changing Directions
  - New Mexico – Supply & Demand
  - Oregon – Make It Constitutional
- Then There’s Illinois – From Great to Good
Feds Out of Sync – Evidence: the atrophied value of Pell over time

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

More evidence: reliance has shifted from grants to loans.
Feds Out of Sync?  Maybe not.

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

Source: U.S. Department of Education, Pell Grant End of Year Reports.
Feds Out of Sync? More evidence that maybe not

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

- Loans 59%
- Grants 40%
Feds And Syncness

- Not as bad as it seems
- But certainly not likely to lead in the near future
  - No inclination
  - No money
  - No consensus
  - No way
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

**Public Institutions**

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<th>Year</th>
<th>Low</th>
<th>Middle</th>
<th>High</th>
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<tbody>
<tr>
<td>1992-93</td>
<td>$1,900</td>
<td>$2,500</td>
<td>$2,400</td>
</tr>
<tr>
<td>1995-96</td>
<td>$2,500</td>
<td>$2,400</td>
<td>$2,700</td>
</tr>
<tr>
<td>1999-2000</td>
<td>$2,300</td>
<td>$2,700</td>
<td>$3,200</td>
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$400 $200 $800

Institutions Out of Sync – It’s More than Just the Money – It’s the Message.

- Institutions do what they should do – they seek to become “better”
- Institutions do what they should do – the prudently monitor funds
  - Take advantage of others– substitution
  - Keep decisions close to the vest (it’s the law)
- Results:
  - Lack of reliability
  - Lack of transparency
Recognize legitimate interests & Actions of Each partner

States should take the lead on financial aid
- Co-opt feds as partner
- Provide incentives for institutions as partners

But don’t expect others to lead – access is a state responsibility
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