Policy Happens!

... but what if it works?
What’s Happening With Policy

- Federal Policy
- National Policy
  - State Policy and Practice
  - Institutional Policy and Practice
What If Policy Were Perfect?

- Would there be no new policy?
But Not All Is Perfect – The Context

- Simple demographics
  - Huge differences
    - From Massive Growth
    - To Massive Declines
  - Changing Complexion
    - Hispanic population dominates growth
    - White population actually diminishing
More Context -- Finances

- Show Me The Money
Finance -- A Tale of Two Pities

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

State appropriations for higher education as share of state expenditures

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.
Just look at our diminishing share of state funding 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.
Just look at the declining share of higher education resources coming from the state

State appropriations as share of public university revenue

Maintaining the 1977 46.5% share: $13 billion


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

Reductions have forced greater reliance on tuition revenue.

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

Furthermore, the states are not supporting need-based aid

<table>
<thead>
<tr>
<th>Type of aid</th>
<th>FY 1994</th>
<th>FY 1999</th>
<th>Change in $</th>
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<tbody>
<tr>
<td>Need-based</td>
<td>$2,424</td>
<td>$3,197</td>
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<td>$452</td>
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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

- Loans: 59%
- Grants: 40%
Clearly, they don’t love us anymore

- Our share is diminishing
- Their priorities have shifted
- We’ve been shafted
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

State & local tax appropriations per student, in constant 2001 dollars, FY1970 – FY2001

SOURCE NOTES:
- Finance data are from Grapevine and reflect appropriations of state and local tax funds for operating expenses of higher education. Dollars adjusted with CPI-U.
- FTE are from IPEDS as reported in the NCES Digest of Education Statistics 2002, Table 206, and reflect enrollment at all levels (undergraduate, graduate, and first-professional) in degree-granting public 2-year and 4-year institutions.

Those duplicitous jerks

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

Net tuition
Instructional appropriation


$8,291 $8,214 $8,243 $8,271 $8,293 $8,314 $8,334 $8,353 $8,372 $8,391 $8,411 $8,431 $8,451

$2,174 $2,344 $2,493 $2,571 $2,643 $2,727 $2,743 $2,755 $2,804 $2,734 $2,751 $2,787 $2,872

Net tuition: $2,174 $2,344 $2,493 $2,571 $2,643 $2,727 $2,743 $2,755 $2,804 $2,734 $2,751 $2,787 $2,872
Instructional appropriation: $6,117 $5,764 $5,558 $5,617 $5,809 $5,859 $6,014 $6,203 $6,368 $6,461 $6,457 $6,246 $5,823

Total Educational Funding per FTE, Percent Change by State, FY 1991-2003

Notes: Total Educational Funding is the sum of Educational Appropriations plus Net Tuition Revenue. Constant 2003 dollars adjusted by SHEEO HECA.

Source: SHEEO SHEF
They blame us for non-need-based aid, but:
States haven’t backed away from need based aid

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Feds haven’t backed away

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.
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

| Income Quartile    | Low            | Middle         | High           |
|--------------------|----------------|----------------|----------------|----------------|
| 1992-93            | $1,900         | $2,500         | $2,400         |
| 1995-96            | $2,500         | $2,400         | $2,700         |
| 1999-2000          | $2,300         | $2,700         | $3,200         |

Public Institutions

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

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<td>$6,200</td>
</tr>
<tr>
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<td>$6,400</td>
<td>$6,300</td>
<td>$7,500</td>
</tr>
<tr>
<td>High</td>
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<td>$5,500</td>
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Finance Synthesis

- Not as bad as it feels
- But tremendous variability (it is as bad as it feels in some places)
- Pretty sorry state of affairs since 2001
- And, the future isn’t very bright
State fiscal projections – 2008

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

Source: National Center for Higher Education Management Systems (NCHEMS)
Incapacity of tax/revenue system to respond

Goods and services as a percentage of total personal consumption, 1952-2001

Source: NASBO
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.
Policy In This Environment

- Federal Policy and Practice
  - Reauthorization
    - Much Ado about not much
    - No interest
    - No money
    - No consensus
  
- Consequences
  - Tinkering
  - Reporting & Regulation
Federal Policy

  - Tax Credits
  - Tax Deductions

- Students
- Institutions

- Appropriations
  - No Money
  - Except for Earmarks
Increasing Productivity
  - When there is no money – ask for more for less.
  - Many initiatives
    - The Collaborative – from *Measuring Up*
    - Changing Directions – Policies in Sync (ATFA)
    - P-20 – What If “No Child Left Behind” Works
    - Governors’ Initiatives
      - NGA
      - As Goes The West . . .
        » Arizona
        » Nevada
        » New Mexico
        » Oregon

Most common strategy -- MOTS
More on State Policy

- The Disconnect
  - Building A Plan and Set Of Expectations
    - Students Better Prepared for College
    - Increased Participation Rates
    - Improved Throughput
  - But Cutting Funds

- Consequences – Demand will Exceed Supply
  - Price will increase
  - Opportunity will be sacrificed
- Price will increase
- Exchange $s for autonomy
- Search for efficiencies
- Strive for better students
- Cut services
More Institutional Policy

- Little fundamental reform of educational process
  - Curriculum: breadth over efficiency
  - Provider, not consumer driven
  - Very little collaborative programming

- Consequences
  - Market savvy but politically volatile
  - Trading Public Good for Private Gain
  - New Providers for Old Markets
The Rest of the Story

- Times call for new business model
  - Number of students
  - Nature of students
  - Resources available to serve these students

- Strategy: Business as usual, with accommodations
Consequences

- Access at Risk
- Quality at Risk
- National Competitiveness at Risk

- Yet Opportunities abound
  - New wine in old bottles (we learn & change)
  - New wine in new bottles (new providers emerge to serve)
Will there be new policy?

You betcha

Policy Happens

- Some will advance the cause
- Some will not
- But it will still happen