Affordable Higher Ed in Kentucky: Requires "Policies 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
Fixing higher ed ... finally. HOW!

The flow of funds

- Economy
- State and Local Government
- Students
- Institutions
- Federal Government
- Donors Foundations Corporations

- Tax revenues
- Income
- Student aid
- Appropriations/grants
- Tuition
- Scholarships & waivers
- Student aid (restricted)
- Gifts
- Research & other grants (restricted)

Source: NCHEMS
The flow of funds for instruction

The flow of funds

- Economy
- State and Local Government
  - Tax revenues
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  - Scholarships & waivers
  - Student aid (restricted)

- Students
- Institutions
- Federal Government

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

Tuition
Institutional aid
State
Other Programs/ Agencies
Higher Education
Amounts Allocation criteria
Students
Student financial aid
Institutions
Tuition
Institutional aid
Amounts Allocation criteria
Source: NCHEMS
General approach what affordability requires

A. Appropriation leads

P. Policies in sync

T. Tuition follows

You’re there today; but doubling the numbers doesn’t compute

F. Financial Aid fills in

Appropriations, tuition, and financial aid policies working intentionally together
Why Affordability includes all three 

- Demand – the usual affordability focus
  - Tuition – the perceived price
  - Financial aid – the great equalizer
- Supply – affordable price without a seat to sit in doesn’t buy you affordability
  - Institutional appropriation – buys the seat
  - Tuition – a critical revenue source
How Kentucky Got To Affordability

- Increased Institutional Support
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
How Kentucky Got To Affordability

- Increased Institutional Support
  - General Support Strategy -- Benchmarks with mission differentiation

- Tuition Policy
  - Adhoc approach – each on their own bottom, within reason

- Financial Aid
  - Strong support
  - Multiple rationale through incrementalism

- Result -- reasonable affordability in today’s world
Why today’s approach won’t fit tomorrow’s needs

- Already Gaps
  - Adult Students (Low-income, Part-time) Much of your future
- Won’t accommodate double the numbers
  - Doubling State’s investment isn’t realistic
  - Neither is idea that this can be done without greater State investment
  - Requires intentional ATFA policy
- Need Rationale for each
Rationale for Institutional Support

- Today focuses on comparison of resources
- Necessary but not sufficient
- May want to look at performance comparisons/benchmarks
- May want to look at incentives to achieve public affordability goals
Rationale on Tuition

- Today disconnected except by jaw-boning
- Tomorrow may want to ensure “in sync” with rest
Rationale on Financial Aid

- Create a Kentucky concept
- Model we suggest looking at: Minnesota’s “Design for Shared Responsibility”
ATFA necessary but not sufficient

- Other key ingredients
  - Preparation
  - Services, absent preparation
  - Good information
    - To inform good public policy
    - To inform citizens of Kentucky

- The Kentucky Advantage
First Advantage: Your Demographic Growth Will Be Manageable.

Percent Change in Number of Public and Nonpublic High School Graduates by State, U.S., 2001-02 (actual) and 2017-18 (projected)

The Financing Context: Structural Deficits for Everyone, but yours is below the norm

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

Source: National Center for Higher Education Management Systems (NCHEMS)
Your Path To Chose: To sync or sink

- Good Luck
- Good Planning
- Intentionality matters
ATFA
Three Policies in One

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