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
Fixing higher ed ... finally. HOW!

The flow of funds

Economy

Tax revenues

State and Local Government

Income

Student aid

Appropriations/grants

Tuition

Donors Foundations Corporations

Students

Scholarships & waivers

Institutions

Research & other grants (restricted)

Federal Government

Student aid (restricted)

Gifts

Source: NCHEMS
The flow of funds for undergraduate education

- Economy
  - Tax revenues
  - Income

- State and Local Government
  - Student aid
  - Appropriations/grants

- Students
  - Tuition
  - Scholarships & waivers
  - Student aid (restricted)

- Institutions

- Federal Government

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

Source: NCHEMS
General approach

Appropriation leads

Tuition follows

Financial Aid fills in

Desired approach

Policies in sync

ATFA

Appropriations, tuition, and financial aid policies working intentionally together
What makes good ATFA policy

- Resource allocations reinforce state priorities, not...
- Resources sustain (and may even enhance) institutional capacity
- Resource allocations make higher ed affordable
  - To students, and
  - To state
- Resource allocations are fair
  - Shared contributions reflect shared benefit
- Resource policies are transparent
  - Legislators understand them
  - Citizens understand them
  - Providing institutions understand them
Different strokes for different folks

- The state’s objectives
  - Adequate to excellent institutional capacity
  - Productivity meeting state’s needs
  - Provided as cheaply as possible
- Student’s
  - Value
  - Affordability
- Institution’s
  - Fair treatment
  - Stability
  - Both sustaining and enhancing support
The domain of state-level allocation decisions

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

**Amounts**
- Allocation criteria
- Student financial aid
- Appropriations
- Tuition
- Institutional aid

Source: NCHEMS
ATFA appropriations – allocation and amount

- Allocation
  - Base plus
  - Formula funding
  - Performance funding
  - Investment funding

- Amount – is enough ever enough?
Tuition

- Ad hoc tuition policy
  - Incremental increases
  - Politically derived increases
- Rational tuition policy
  - Index-derived increases
  - Gap-filling increases
- Seldom, however, are tuition and appropriations policies in sync
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
Relationship between “need-based” and “merit-based” aid
## The states’ recent redirection
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Type of aid</th>
<th>1996/97</th>
<th>2001/02</th>
<th>Change in $</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need-based</td>
<td>$2,594</td>
<td>$3,826</td>
<td>$1,232</td>
<td>47%</td>
</tr>
<tr>
<td>Non-need-based</td>
<td>$496</td>
<td>$1209</td>
<td>$513</td>
<td>103%</td>
</tr>
</tbody>
</table>
Show me the money

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

<table>
<thead>
<tr>
<th></th>
<th>1992-93</th>
<th>Middle</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Quartile</td>
<td>$1,900</td>
<td>$2,500</td>
<td>$2,400</td>
</tr>
<tr>
<td>Middle Income Quartile</td>
<td>$2,500</td>
<td>$2,400</td>
<td>$2,700</td>
</tr>
<tr>
<td>High Income Quartile</td>
<td>$2,300</td>
<td>$2,700</td>
<td>$3,200</td>
</tr>
</tbody>
</table>

| Low Income Quartile | $400 | $200 | $800 |
| Middle Income Quartile | $12 | $13 | $18 |

Requisites of integrating higher ed policy

- Clear understanding of state’s priorities
  - By all stakeholders
- Adequate capacity to do the job
- ATFA – policy alignment
- Respect
ATFA
Three Policies in One

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