

A National Perspective on Higher Education Finance

Presented to the

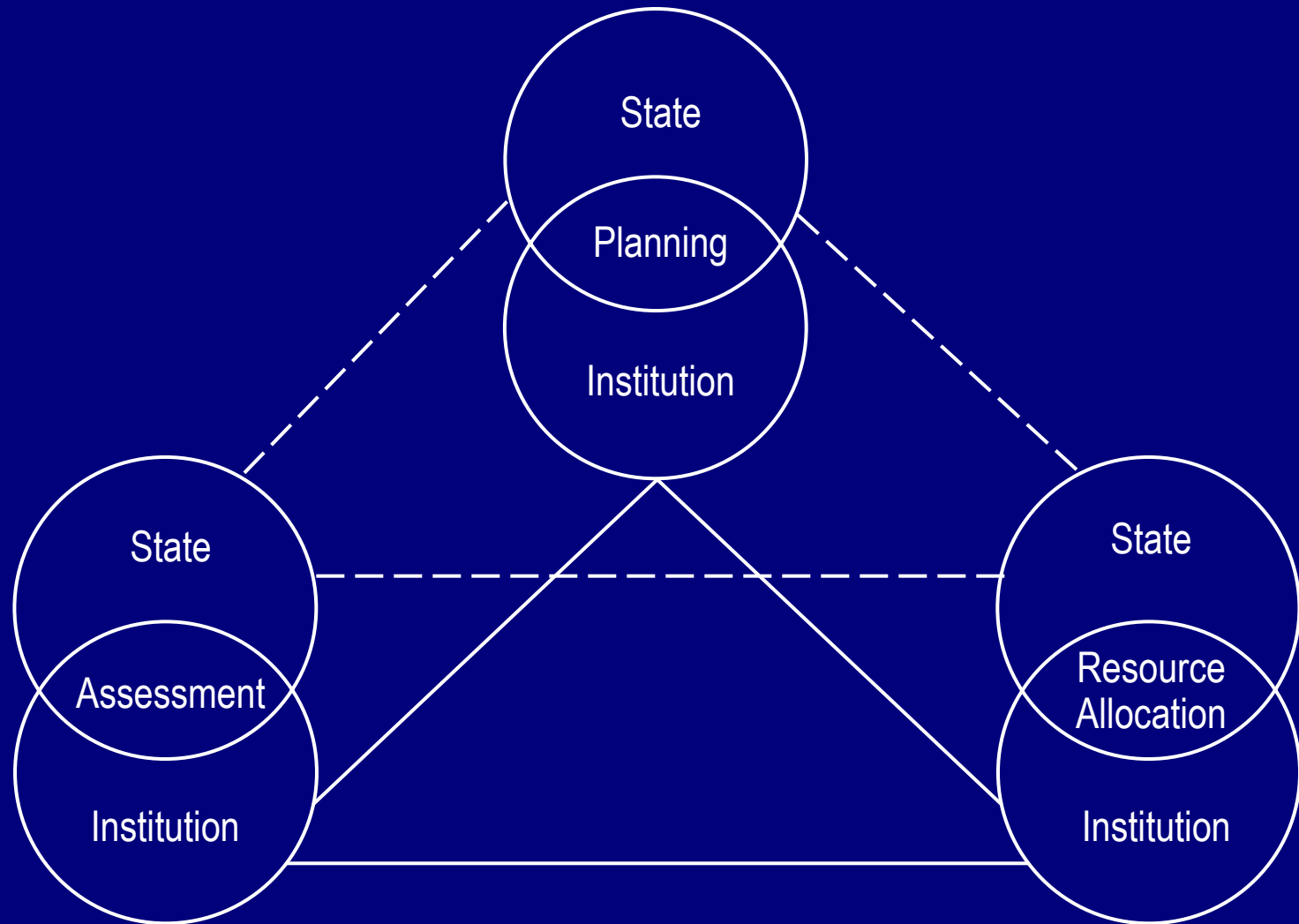
Symposium on Higher Education Financing
Columbia, Missouri

July 26, 2005

National Center for Higher Education Management Systems
P.O. Box 9752 Boulder, Colorado 80301-9752 (303) 497-0301



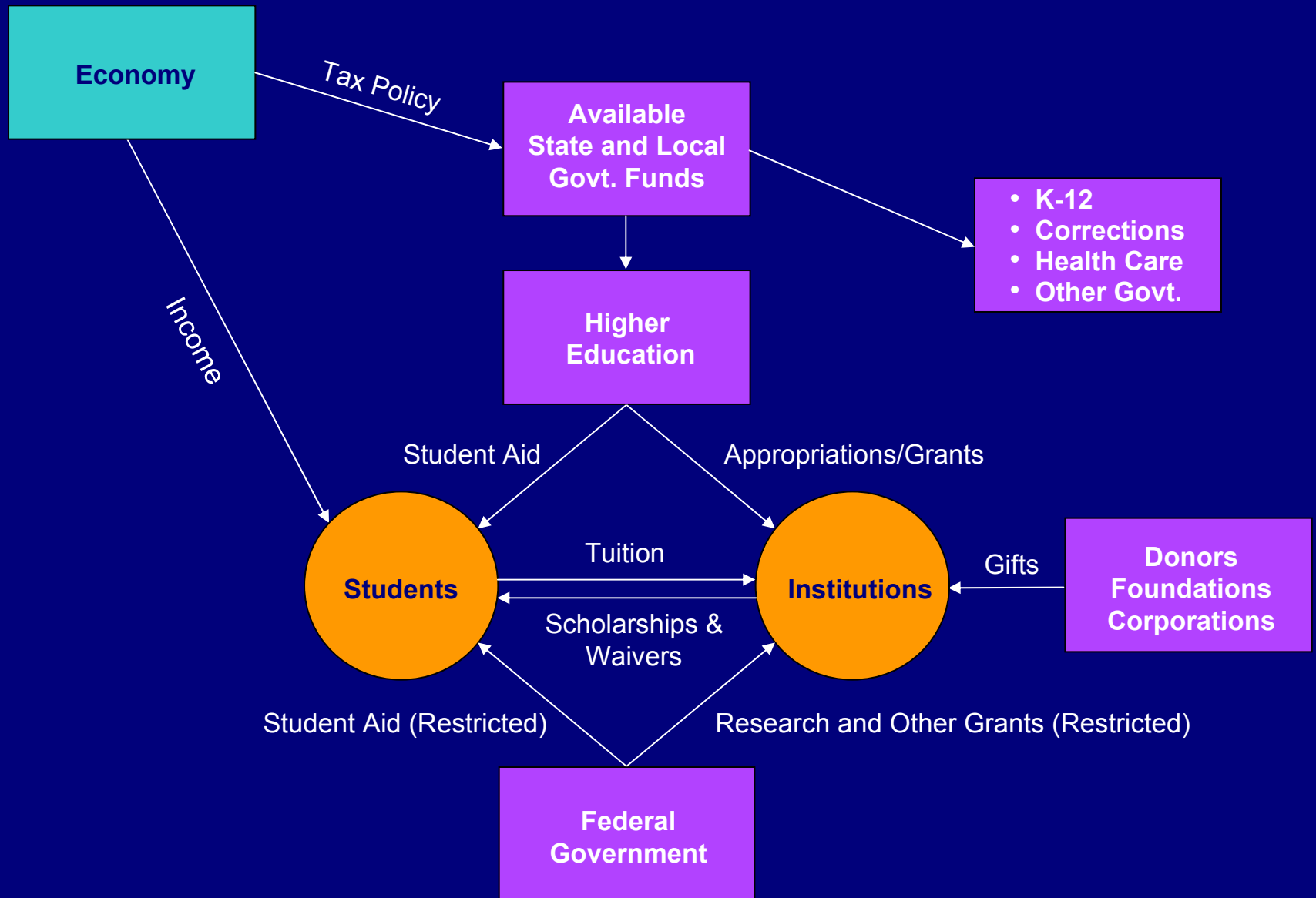
The Management Cycle in a Public Institution



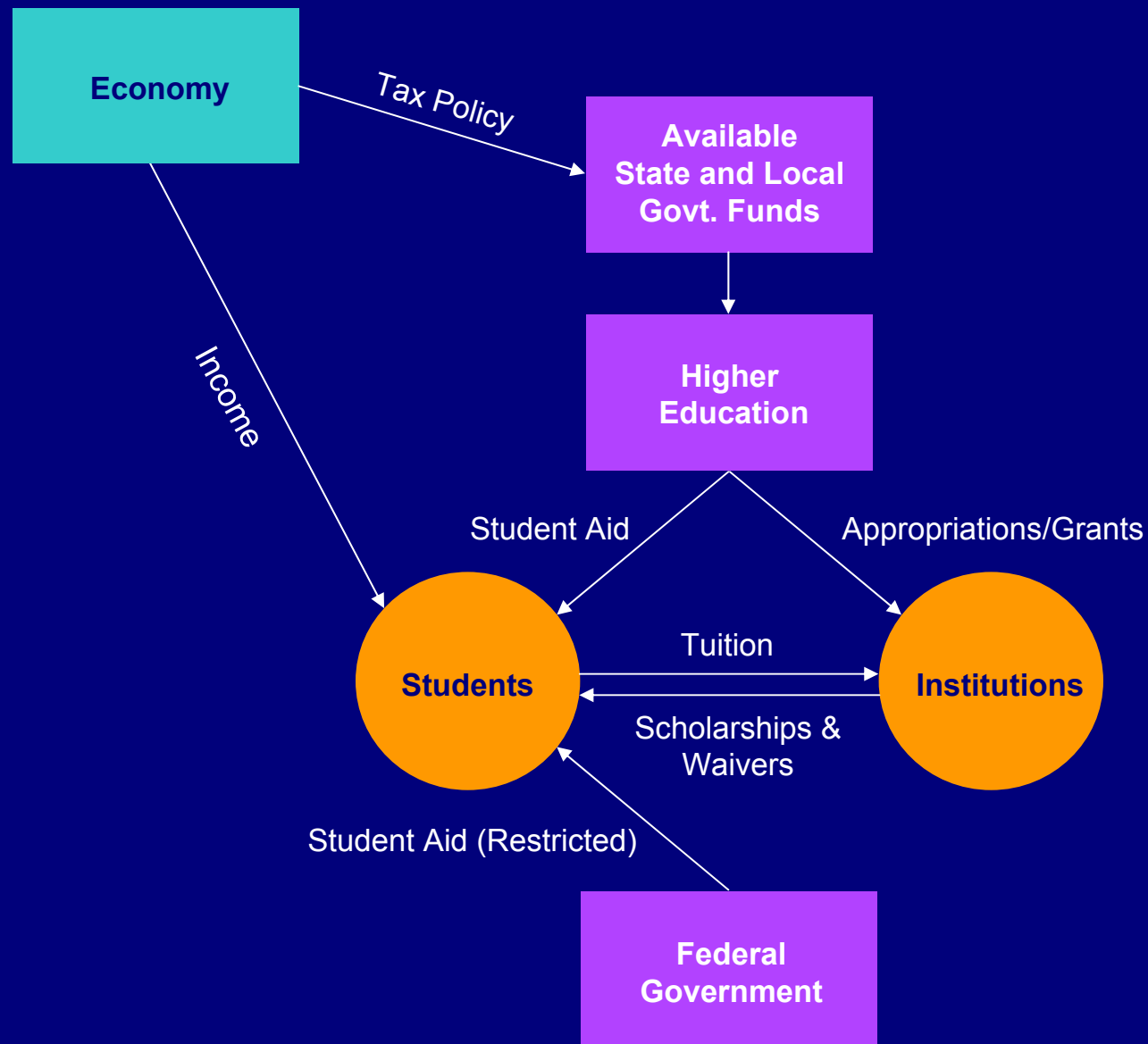
State Policy Objectives

- High Rates of High School Completion of Students Who Have Taken an Academically Rigorous Curriculum
- High Levels of College Participation of Both Recent High School Graduates and Adult Learners
- High Rates of College Degree Completion
- High Levels of Degree Production in Selected Fields
- An Economy That Employs a High Proportion of College Graduates

The Flow of Funds



The Flow of Funds



Alignment of Policies

Regarding:

- Appropriations to Institutions
- Tuition and Fees
- State Student Financial Aid
- Institutional Student Financial Aid
- Use of Funds from Other Funders

Alignment Is Difficult

Because Decisions About Different Components Are Made:

- By Different Decisionmakers
- On Different Schedules
- With Different Objectives

...or Inattention to Objectives

Criteria for Effective Policy

- Reinforce State Priorities
- Maintain Necessary Institutional Capacity
- Contributions Required Are Affordable—State and Students
- Viewed as Being Fair
- Transparent
- Incentives for Institutional Responsiveness and Entrepreneurship

Criteria from Perspective of Different Stakeholders

State

- Maintains Institutional Capacity
- Promotes Achievement of Priority Outcomes
- Affordable

Students

- Affordability
- Value

Institutions

- Adequacy
- Equity
- Stability

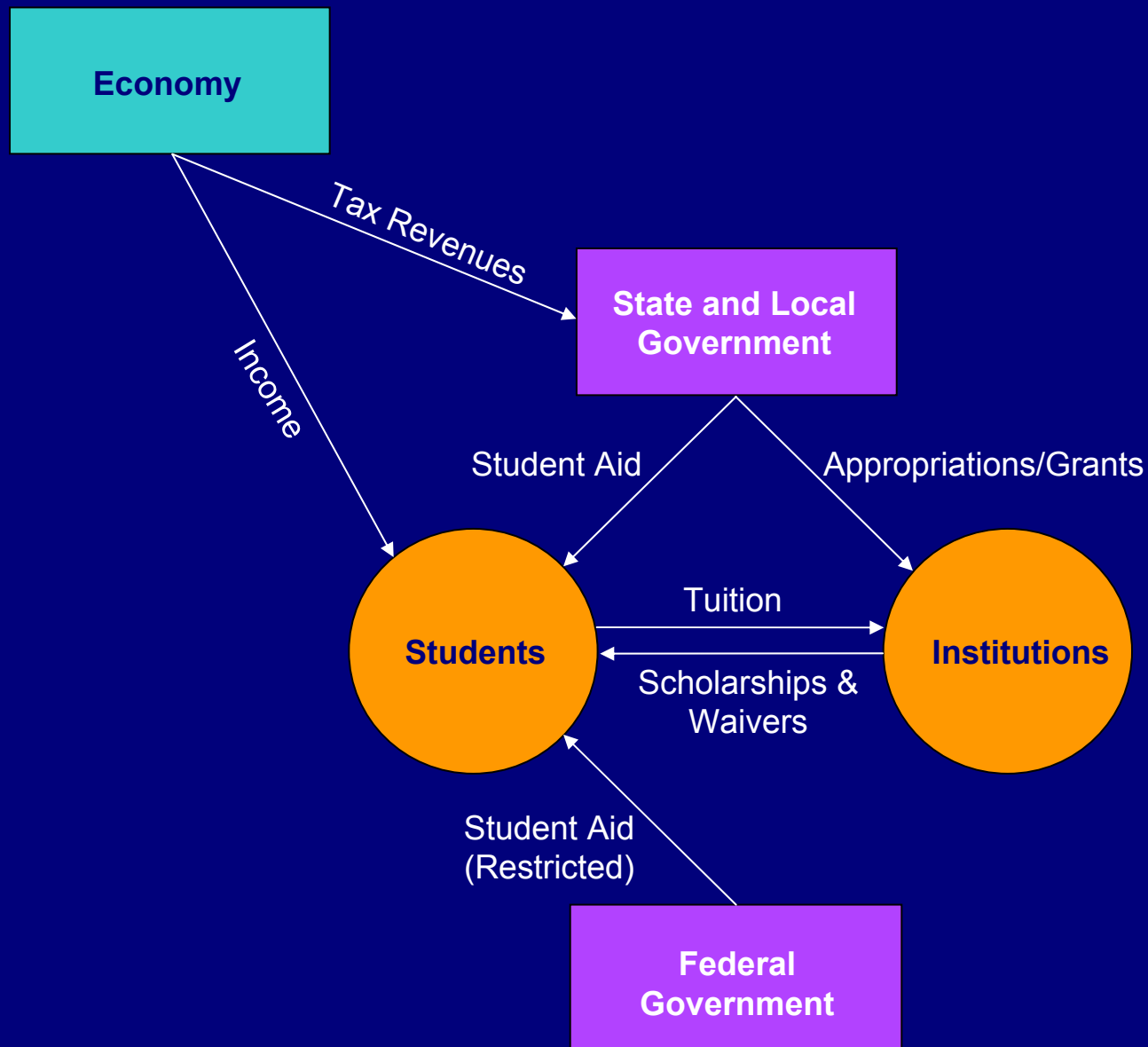
The Two Purposes of State Funding Policy

- Build Core Capacity—General Purpose Funding
- Promote Capacity Utilization Around State Priorities—Special Purpose Funding

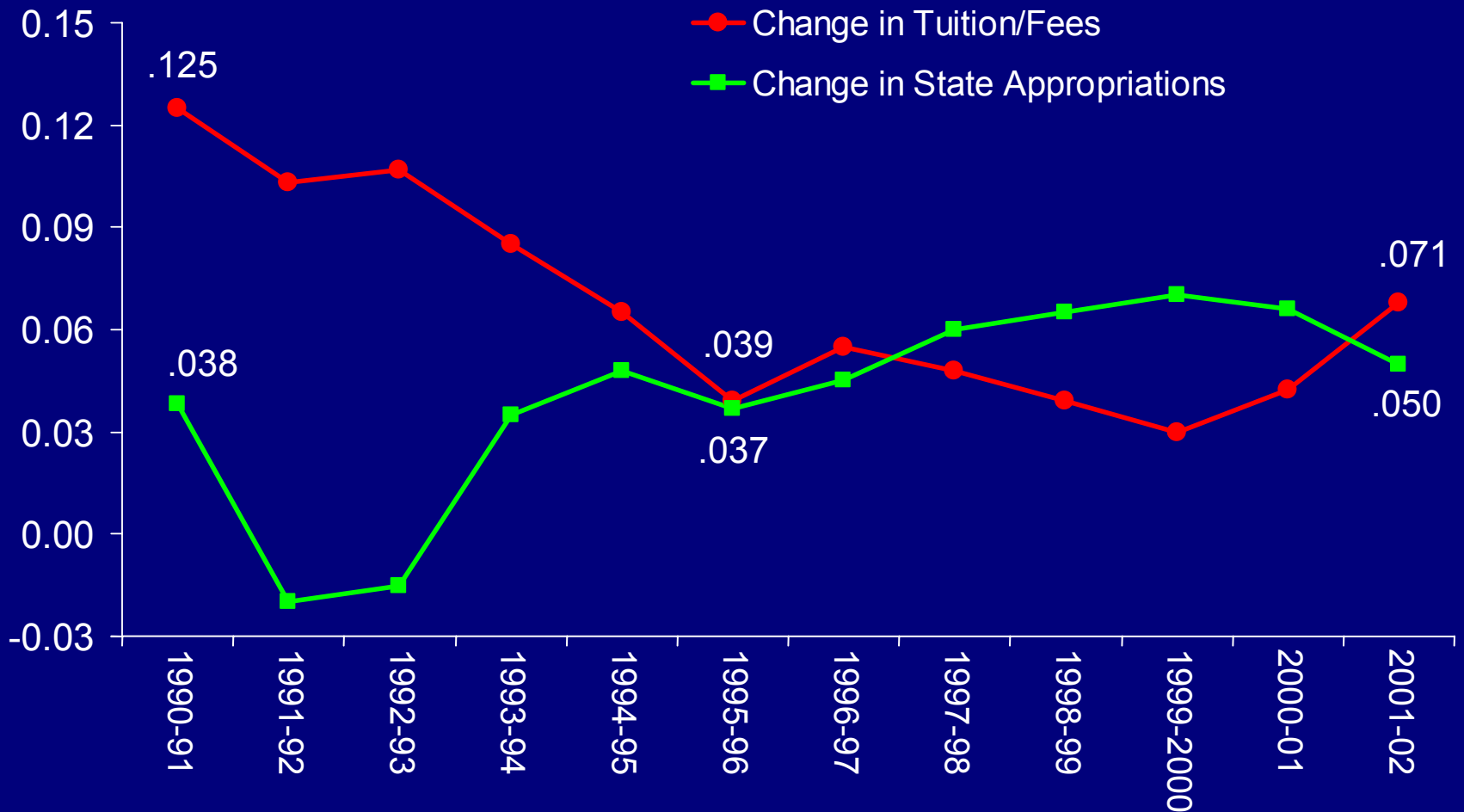
Finance Policy—The Options

	Institution Focused	Student Focused
Core Capacity	<ul style="list-style-type: none"> ■ Base-Plus ■ Formulas ■ Investment Funds 	Tuition and Aid Policy Focused on Revenue Generation
Capacity Utilization/ Public Agenda	Performance Funding	Tuition and Aid Policy Focused on Attainment of Specified Outcomes <ul style="list-style-type: none"> ■ Need-Based ■ Merit-Based

The Flow of Funds



Change in Resident Undergraduate Student Charges and State Appropriations—Public Colleges and Universities, 1990-2002



Source: AASCU/NASULGC 2001

Basic Questions at State Level

- How Much to Allocate
- To Which Recipients—Students or Institutions
- Using Which Mechanisms

Funding to Institutions—Core Capacity

- Base-Plus
- Formulas
- Investment Funds

Funding to Students—Core Capacity— Revenue Generation

- Base Institutional Tuition
- Mandatory Fees
- Out-of-State Tuition
- Differential Tuition
- Scholarships and Fellowships

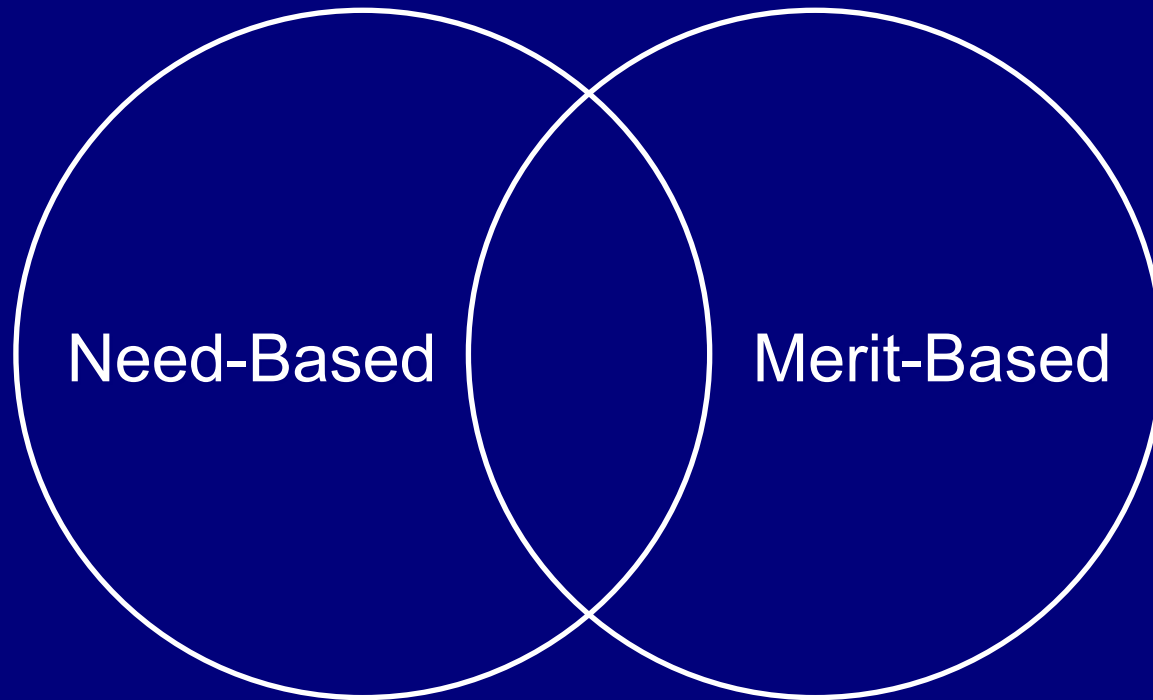
Funding Institutions—Capacity Utilization

- Performance Funding

Funding Students—Capacity Utilization

- Need-Based Aid
- Merit-Based Aid

Relationships Between “Need-Based” and “Merit-Based” Aid



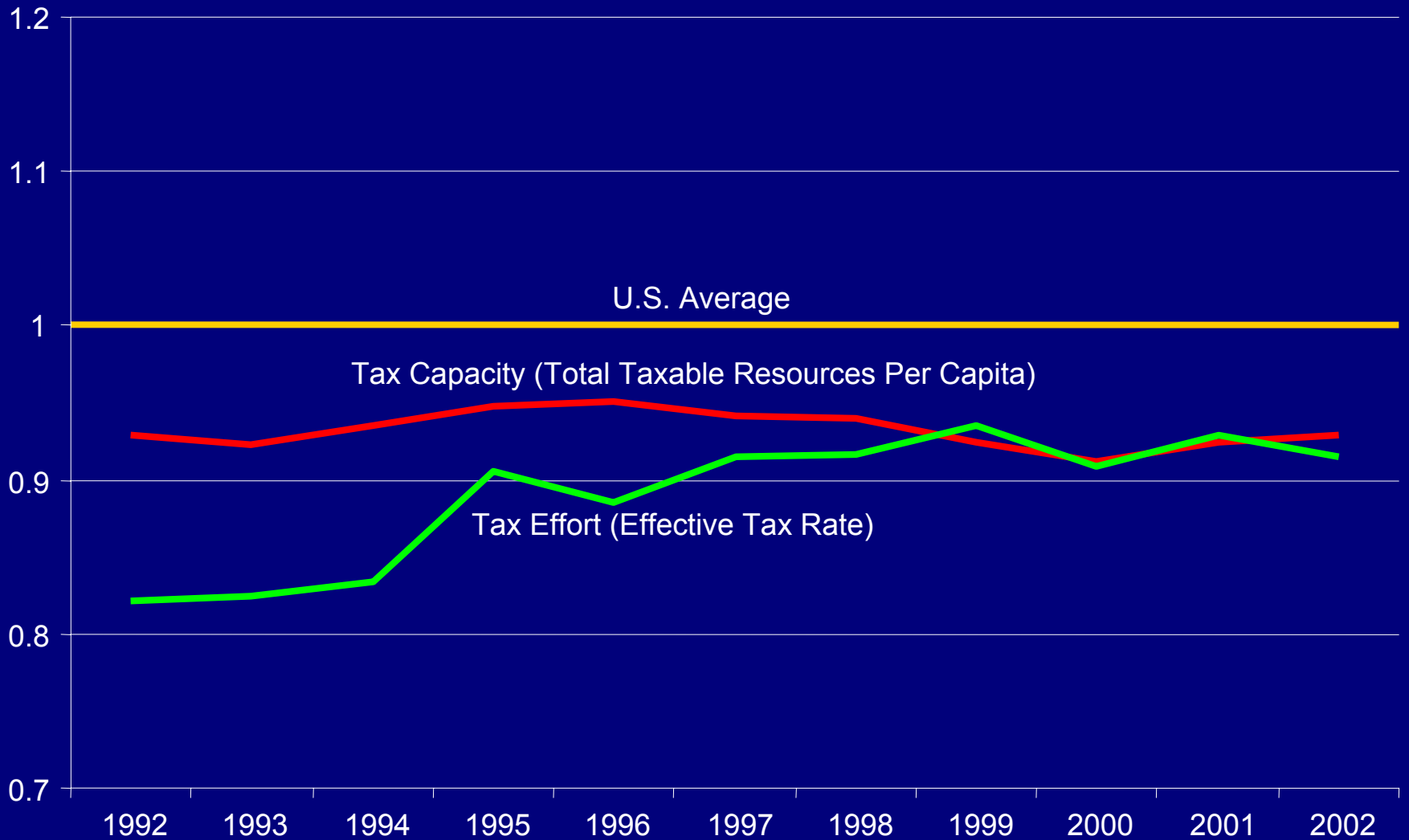
Conclusions

Cost-Effective Policy Requires:

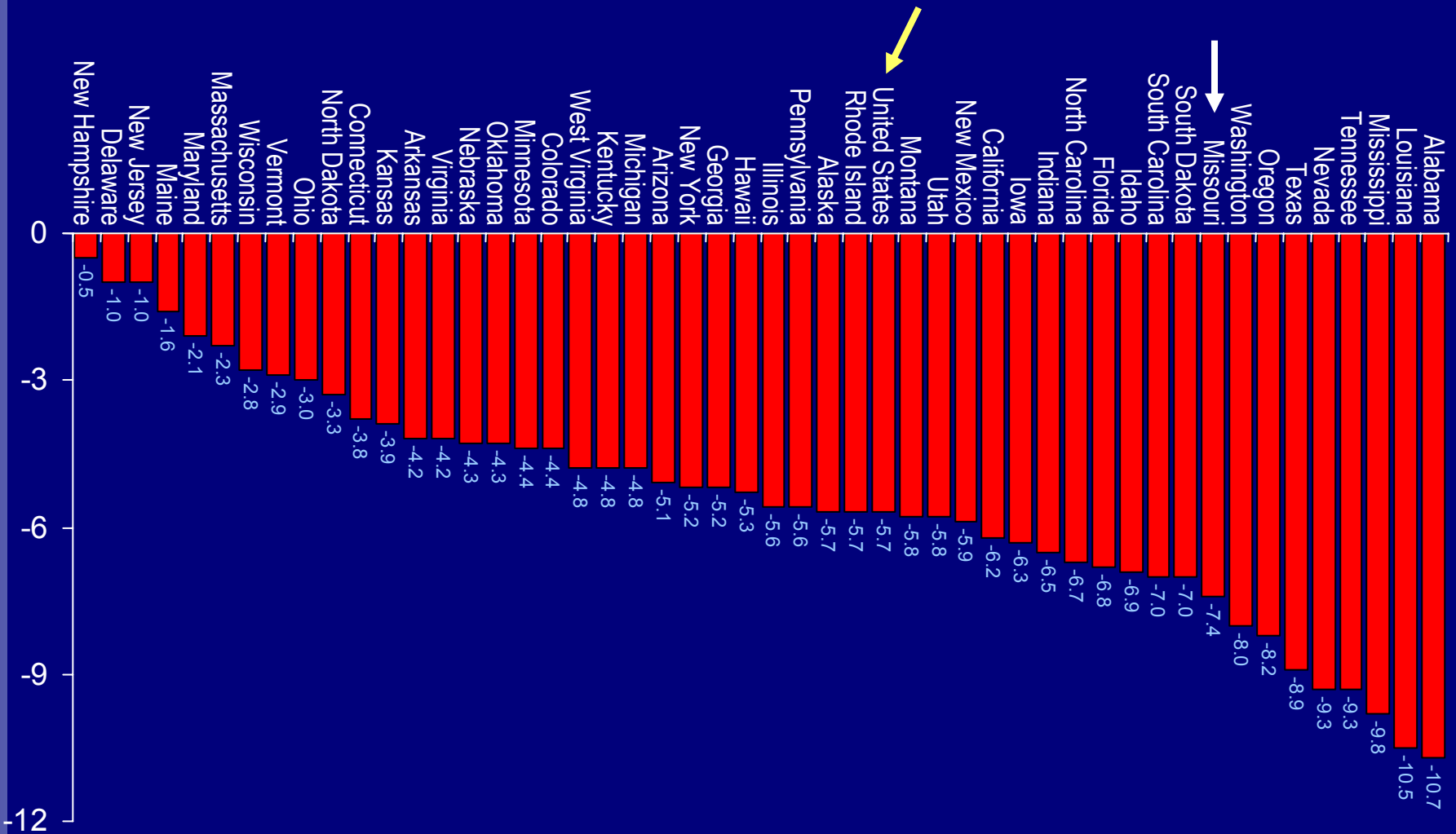
- Clear Understanding of Priorities
- Creation/Maintenance of Necessary Capacity
- Alignment of Policies Concerning:
 - Institutional Support
 - Tuition and Fees
 - State Student Financial Aid
 - Institutional Student Financial Aid

The Financial Environment for Higher Education

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

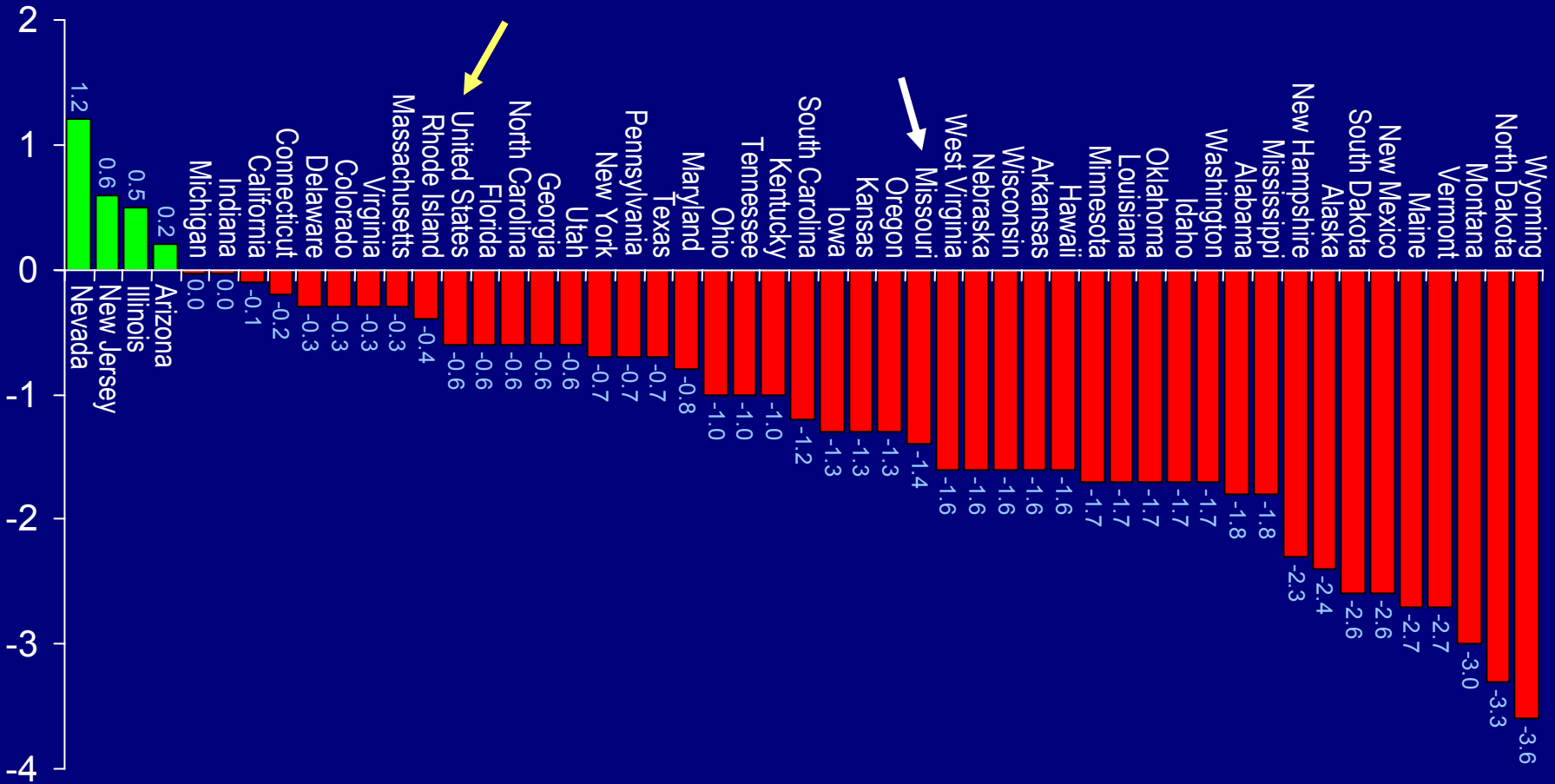


Projected State and Local Budget Surplus (Gap) as a Percent of Revenues, 2013



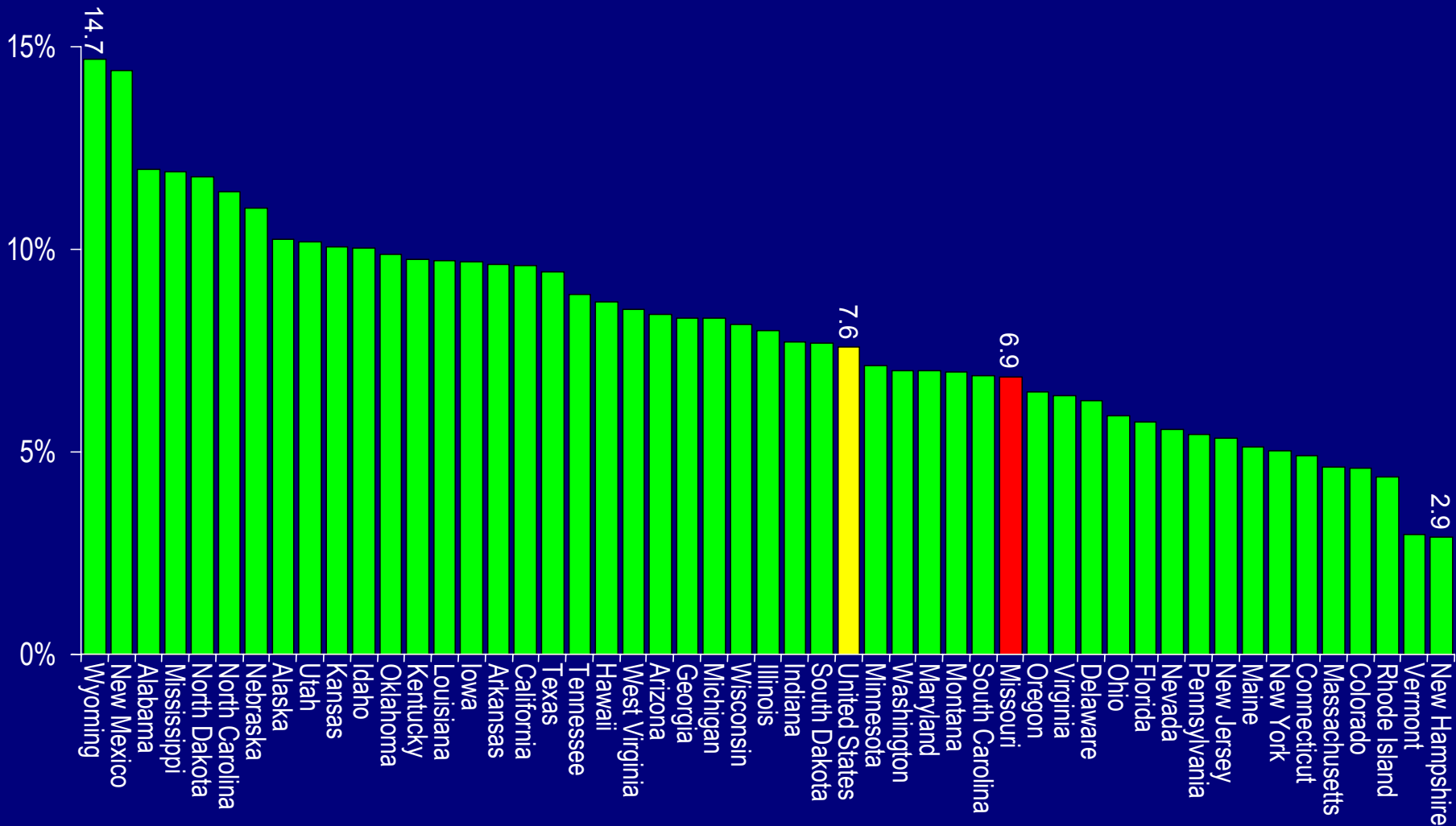
Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2005

Projected Ratio of Spending for Higher Education to Spending for All Other Programs, 2013



Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2005

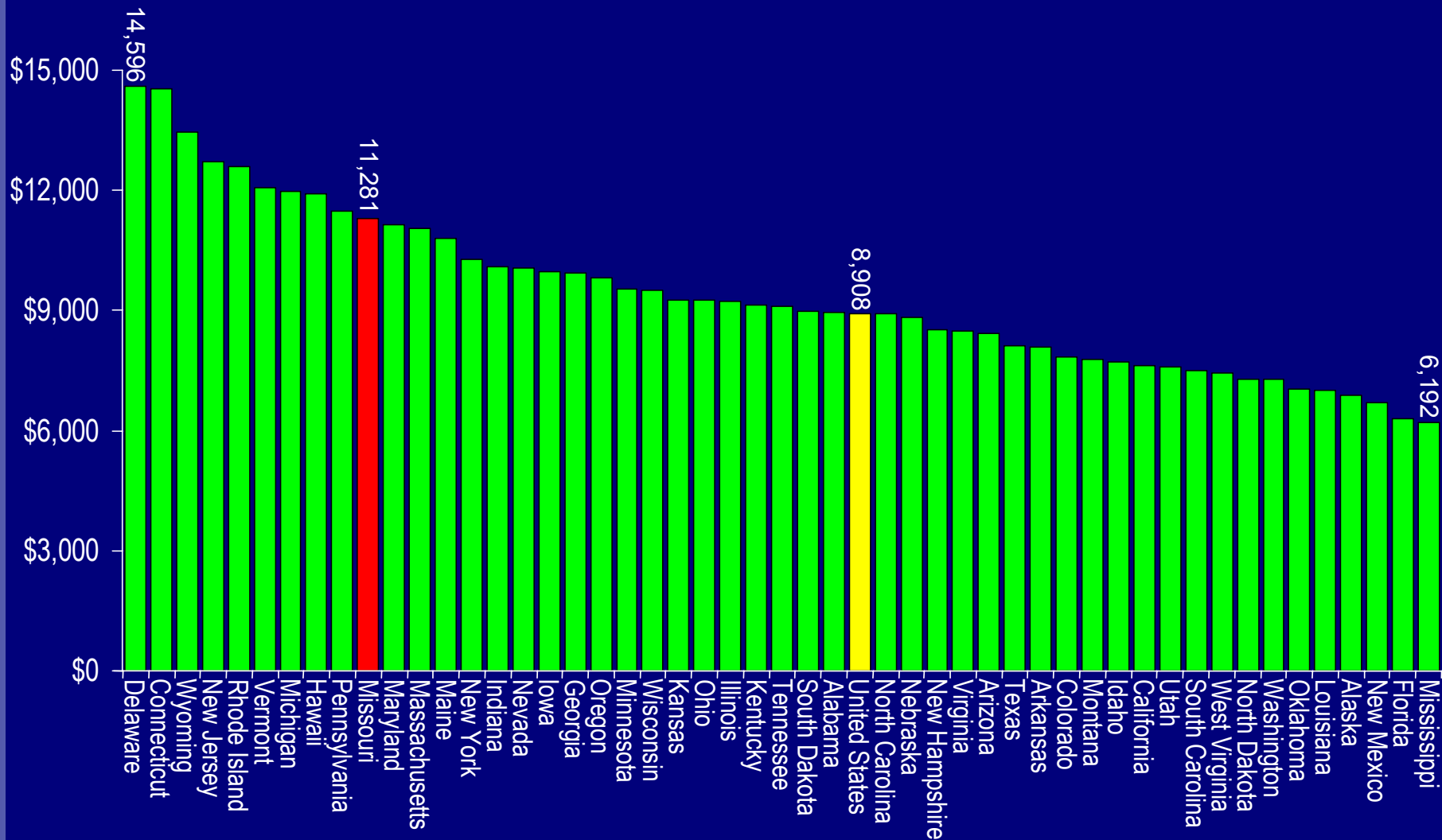
State Higher Education Priority—Higher Education Appropriations as a Percent of Tax Revenues, 2002-03



*Includes Appropriations to Independent Institutions

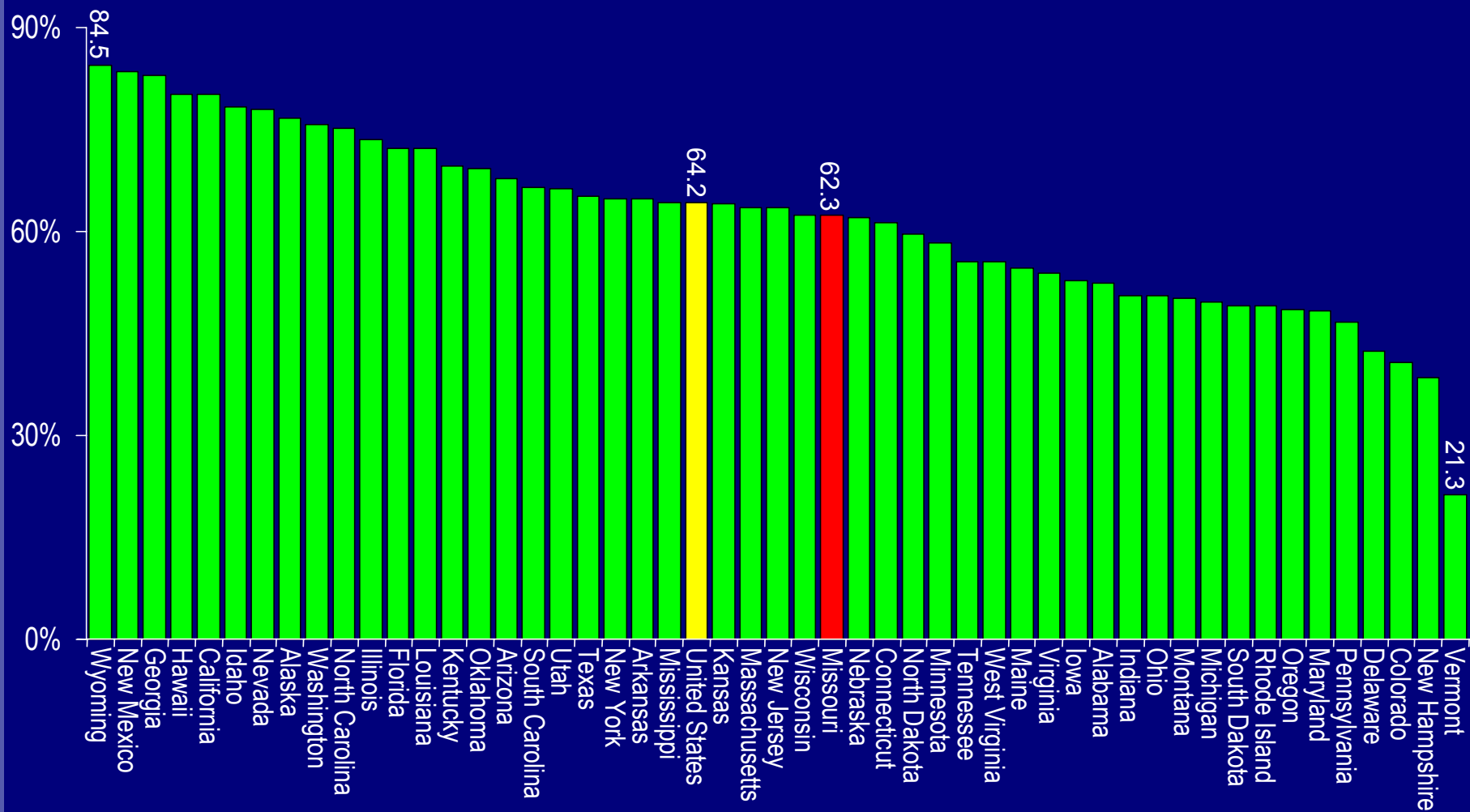
Source: State Higher Education Executive Officers (SHEEO)

Total Educational Revenues (State and Local and Tuition) Per FTE Student, 2003-04



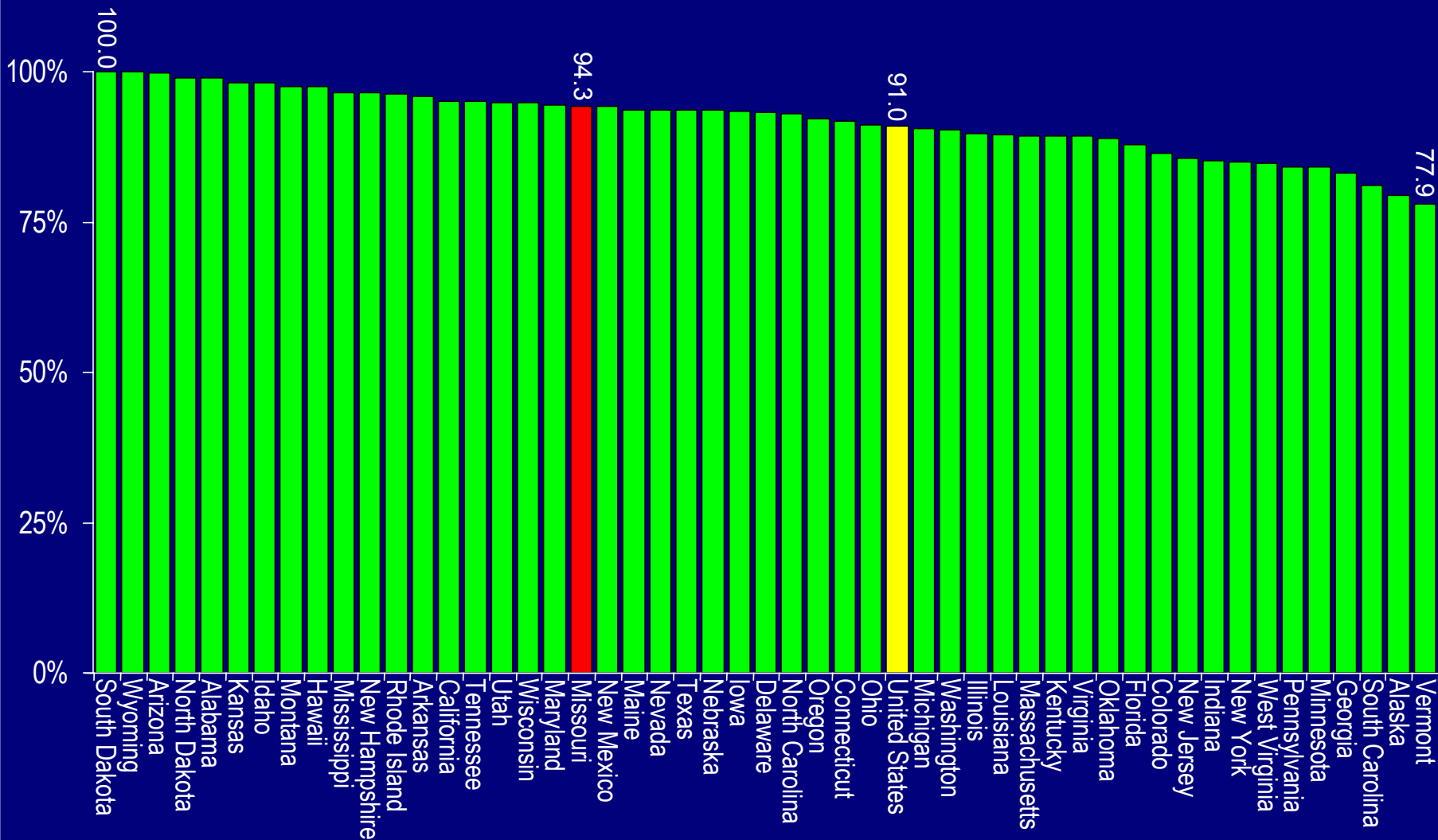
Source: State Higher Education Executive Officers (SHEEO)

Share of Institutional Funding for Higher Education Provided Through State Appropriations (Public Institutions), 2003-04



Source: State Higher Education Executive Officers (SHEEO)

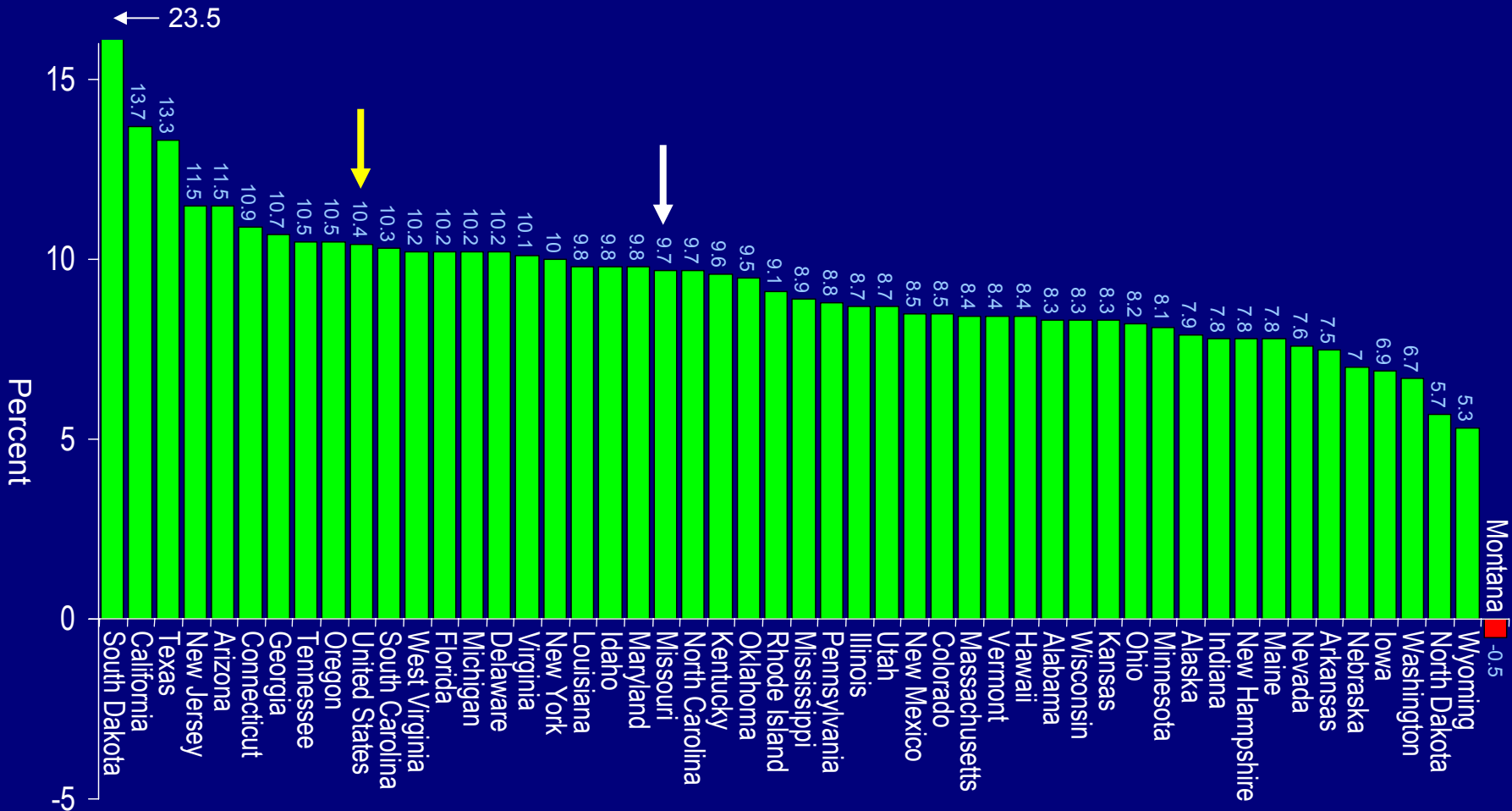
State and Local Support for Higher Education— Proportions Allocated Directly to Institutions, 2003-04



*Includes Appropriations to Independent Institutions

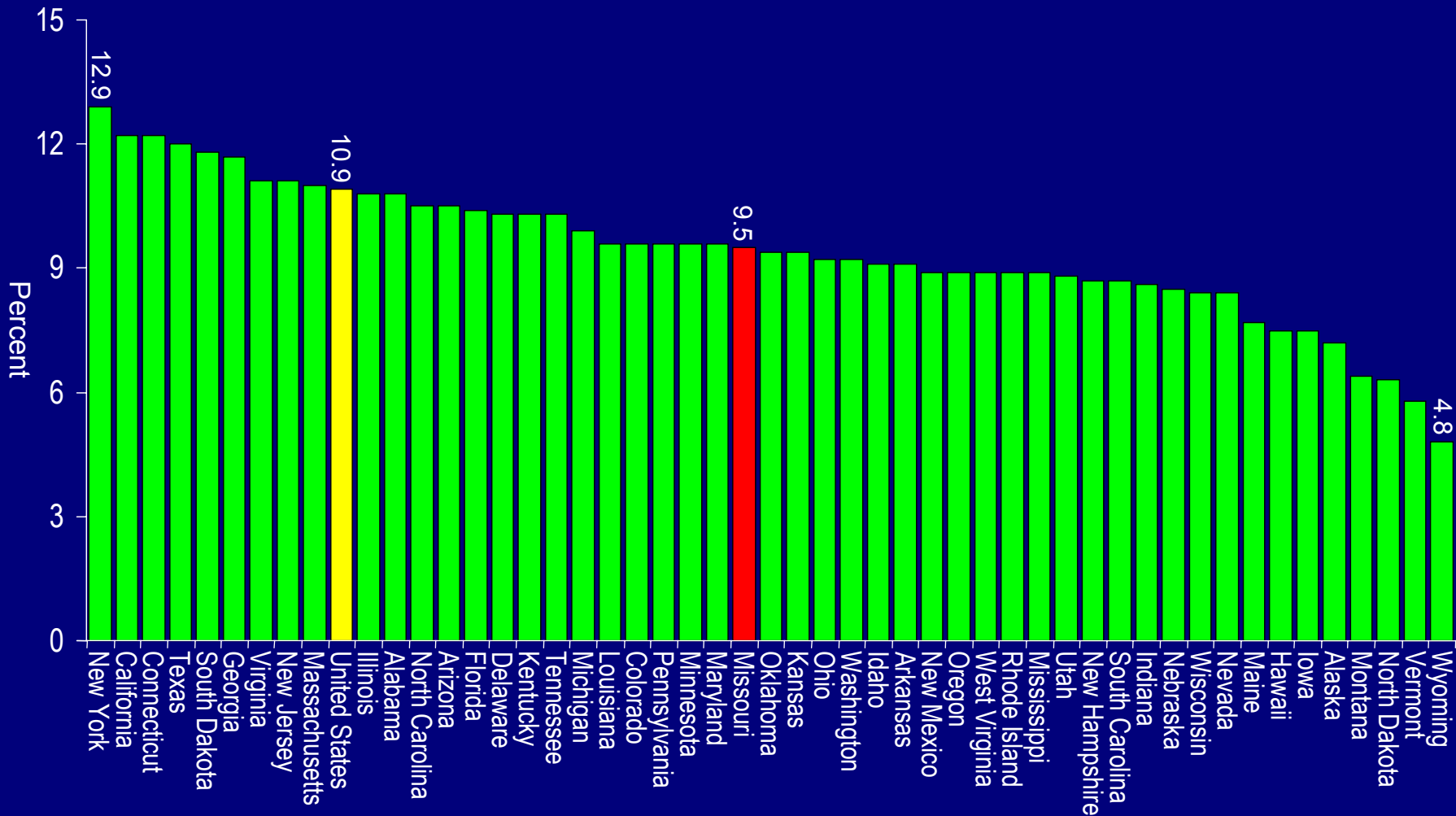
Source: State Higher Education Executive Officers (SHEEO)

Internal Rate of Return for Public Two-Year Institutions



Source: NCES, Integrated Postsecondary Education Data System; U.S. Census Bureau 2000 Public Use Microdata Samples

Internal Rate of Return for Public Four-Year Institutions



A Picture of State Higher Education Funding



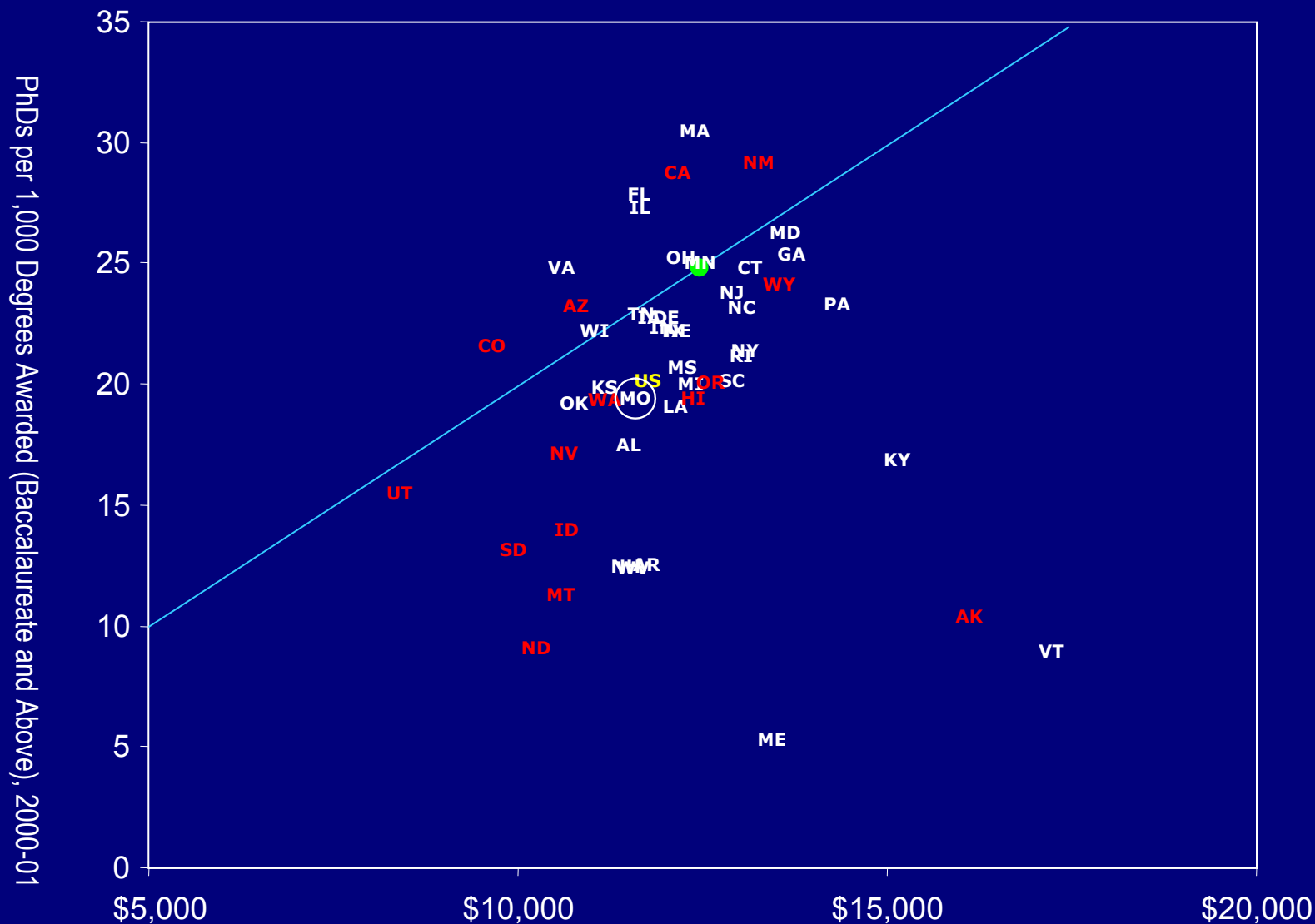
Performance Relative to Total Funding per FTE—State Higher Education Systems

Undergraduate Credentials Awarded (2001-02) per 100 FTE Undergraduates, Fall 2001



Performance Relative to Total Funding per FTE—State Higher Education Systems

PhDs per 1,000 Degrees Awarded (Baccalaureate and Above), 2000-01



Total Funding per FTE (State, Local, Tuition & Fees, State Financial Aid—Adjusted for COL and Faculty Salaries)

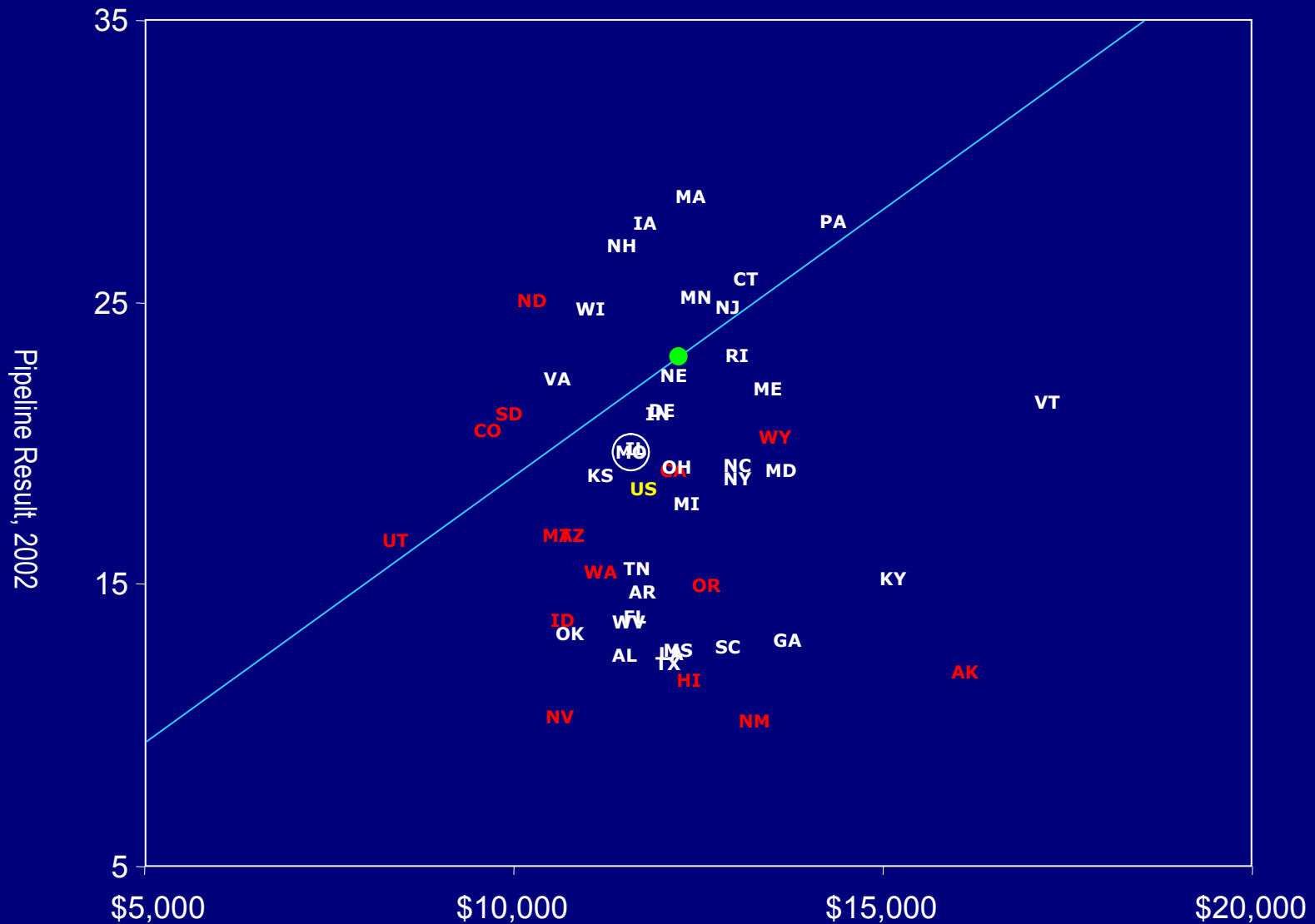
Performance Relative to Total Funding per FTE—State Higher Education Systems

Federal and Industry R&D per Capita, 2001



Total Funding per FTE (State, Local, Tuition & Fees, State Financial Aid—Adjusted for COL and Faculty Salaries)

Performance Relative to Total Funding per FTE—State Higher Education Systems
 Pipeline Result, 2002

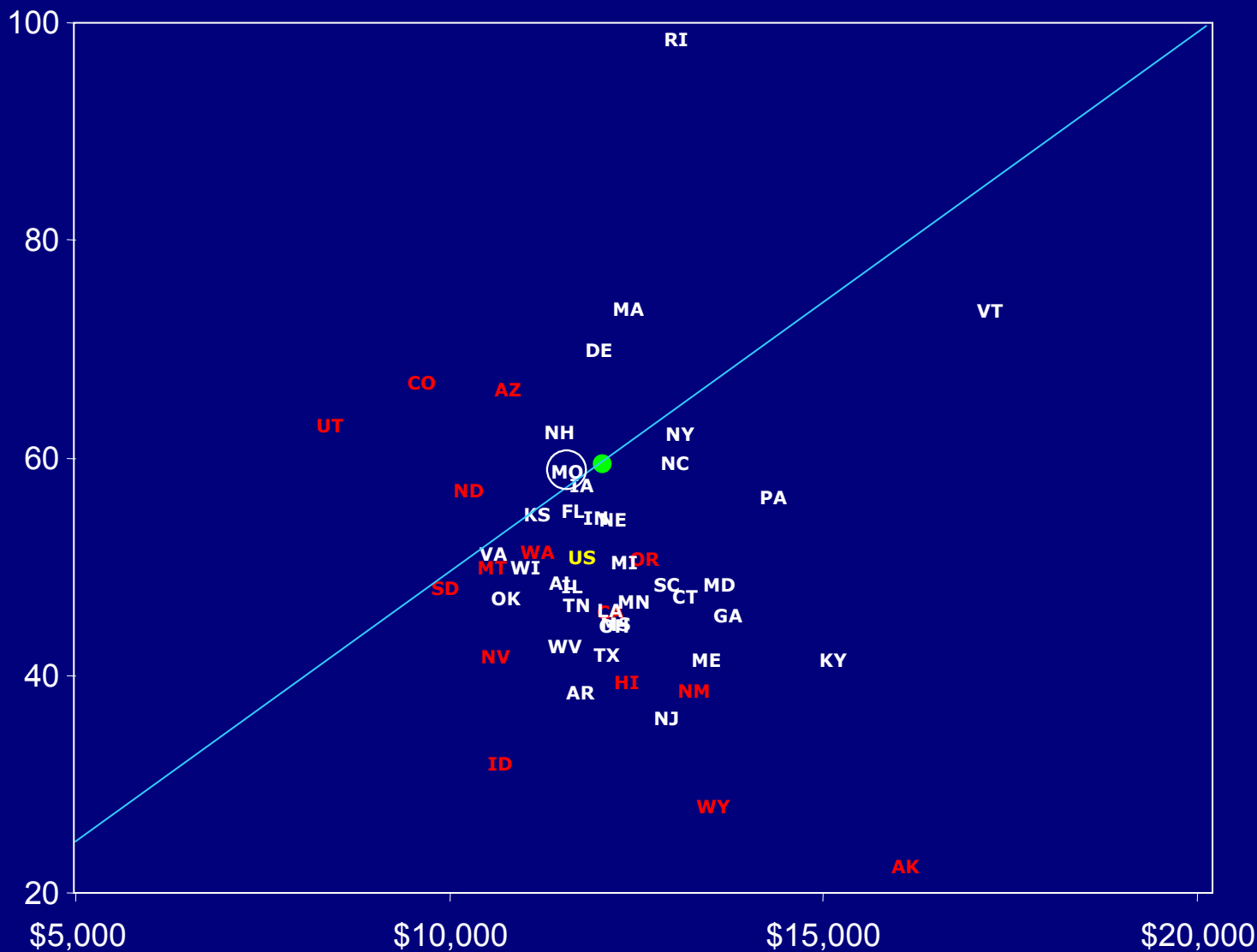


Total Funding per FTE (State, Local, Tuition & Fees, State Financial Aid—Adjusted for COL and Faculty Salaries)

Performance Relative to Total Funding per FTE—State Higher Education Systems

Bachelor's Degree as a Percent of High School Graduates Six Years Earlier, 2002

Bachelor's Degree as a Percent of High School Graduates Six Years Earlier, 2002



Total Funding per FTE (State, Local, Tuition & Fees, State Financial Aid—Adjusted for COL and Faculty Salaries)