

Higher Education Affordability and Cost – A Complex Relationship

State Council of Higher Education for Virginia
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Agenda

- Background and Framing
 - Cost Drivers in Higher Education
 - Examples from other States
 - Action from the Federal Government
 - Examples from other Organizations
 - Closing Thoughts
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Background and Framing

Cost (what an institution spends) ...

Price (what a student pays)...

Affordability (what they can afford to pay)...

.....are all interconnected and part of the bigger picture.

But...it's not just money and affordability.

It's about what you ultimately are trying to achieve.

It's really about access AND success.

College Cost, Price, and Affordability: Questions to Ask, Indicators to Monitor

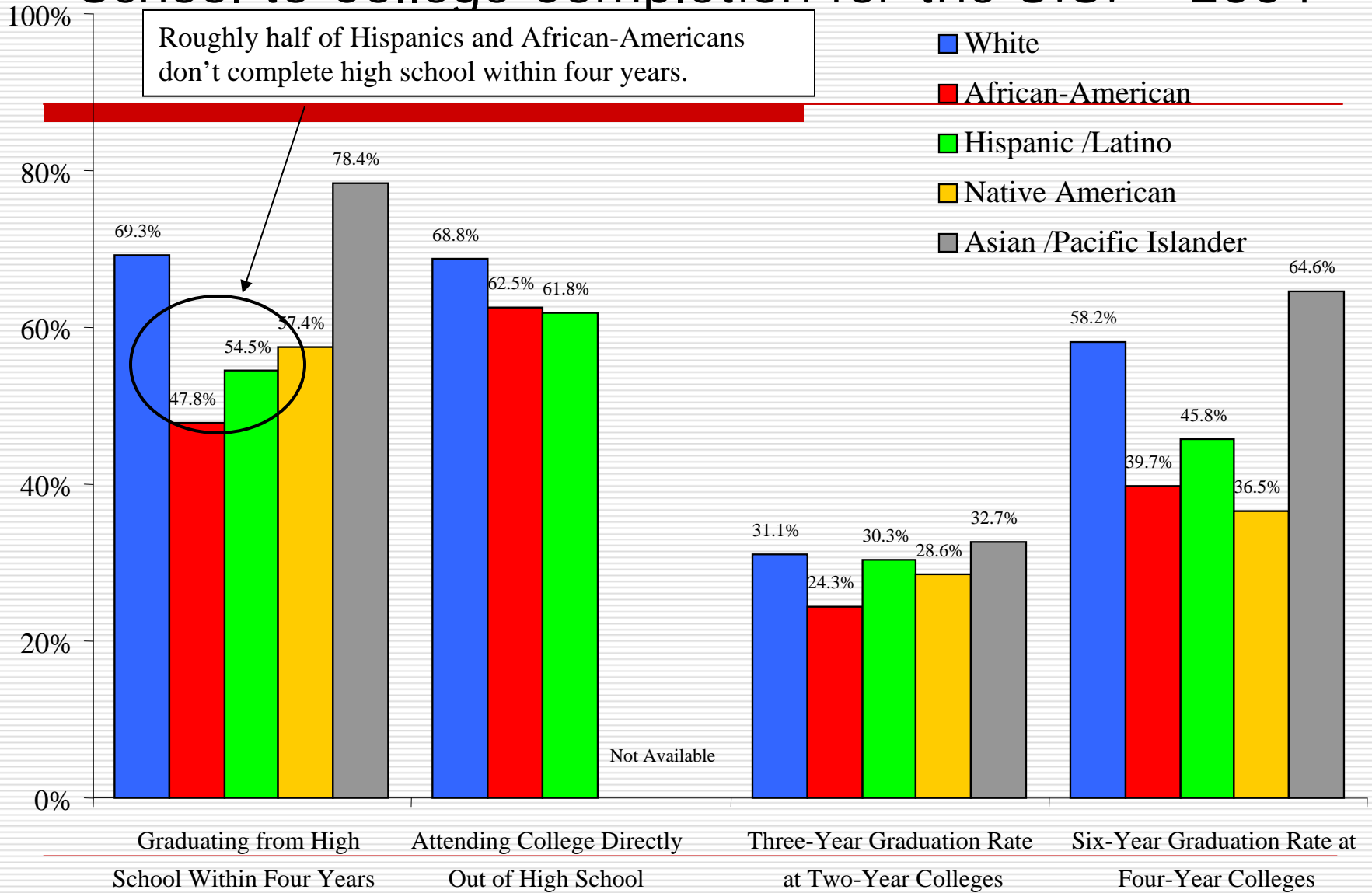
- ❑ Tuition & fee levels by institution, sector, and region (“sticker price” to students and families)
 - ❑ “Net price” to all students/families; net of grant aid, including costs deferred by loans
 - ❑ State appropriations to institutions
 - ❑ Operational costs / expenses to “keep the doors open”
 - ❑ Productivity outcomes
 - ❑ Access and success for all students inc. lower income
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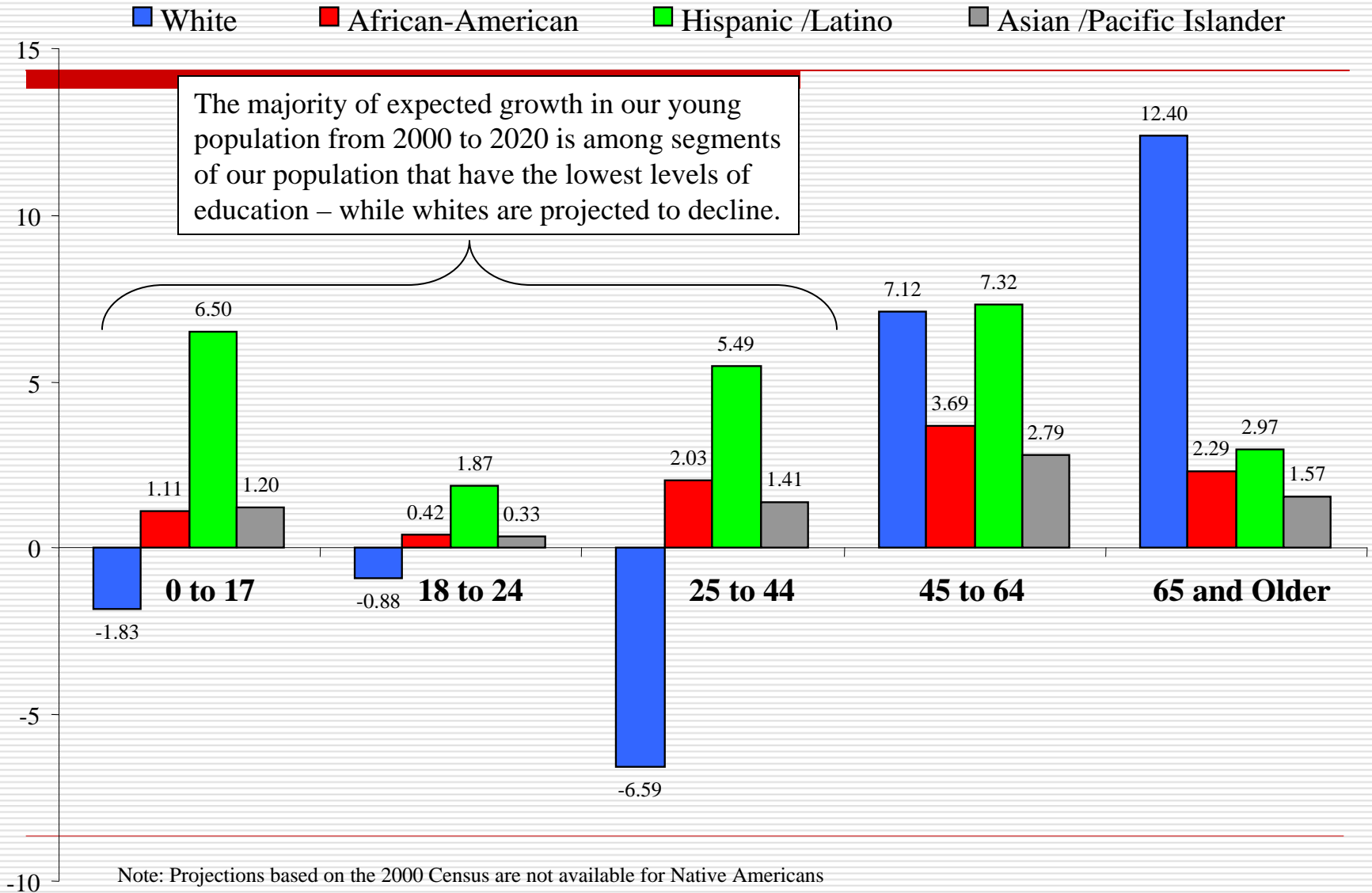
Educational Needs Index – Education Factor

Description (2005 Data)	Virginia	National
Percent of 18 to 64 Year Olds With a High School Diploma	87.1	85.8
Percent of 25 to 64 Year Olds With an Associates Degree	7.4	8.2
Percent of 25 to 64 Year Olds With a Bachelor's Degree or Higher	32.6	28.6

Transition and Completion Measures from High School to College Completion for the U.S. – 2004



Projected Change in U.S. Population by Age and Race/Ethnicity From 2000 to 2020 (In Millions)

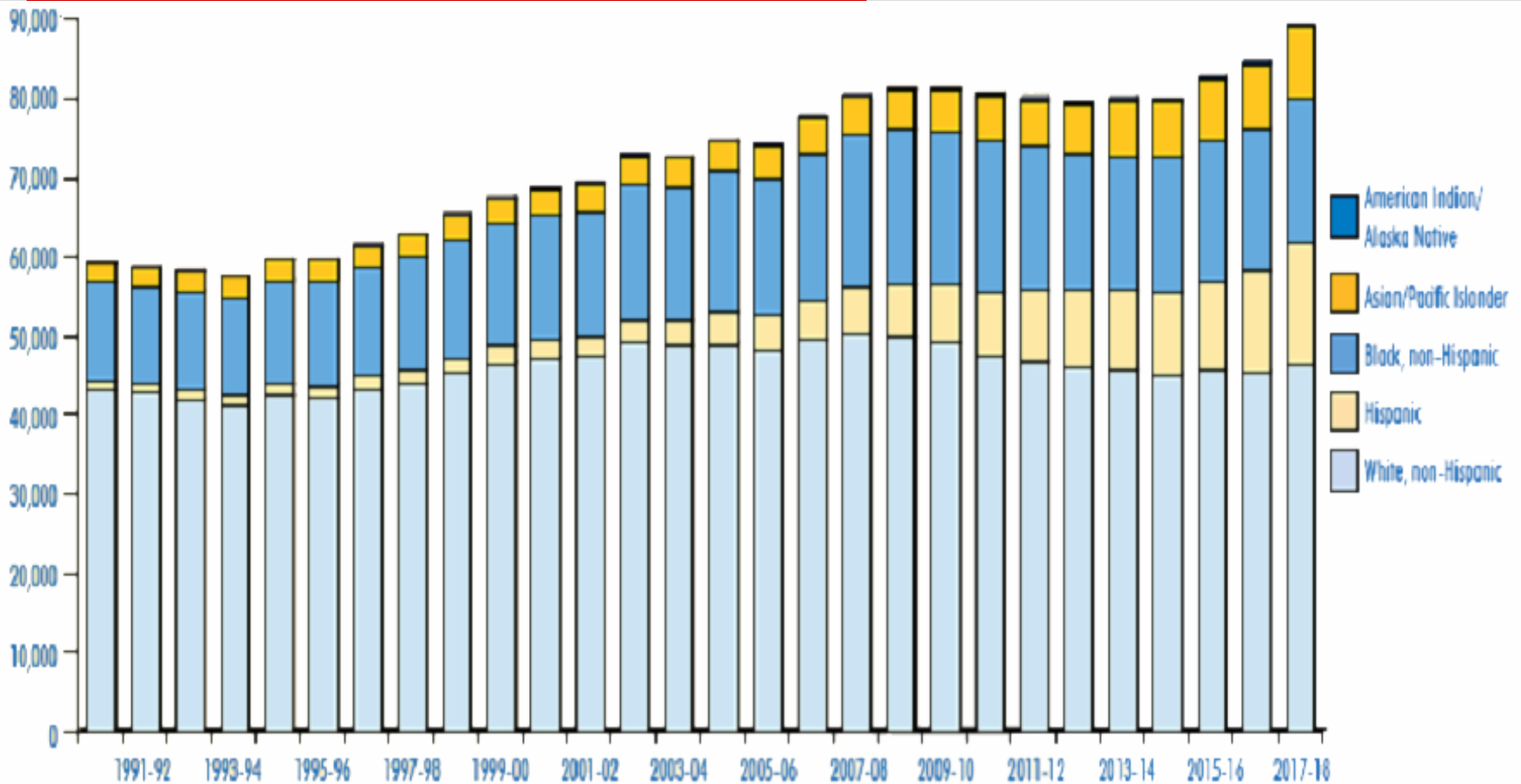


Virginia Population and Demographics

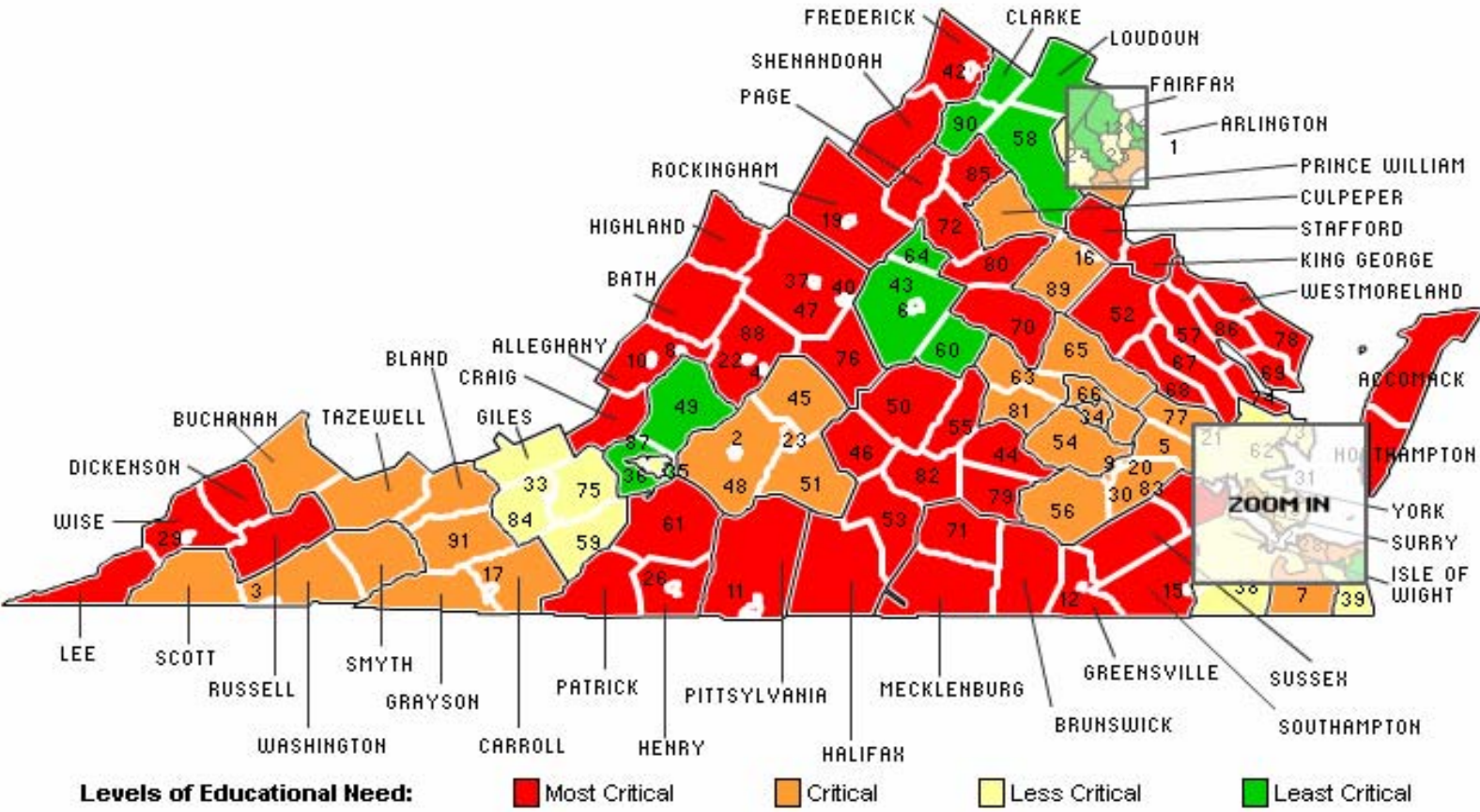
State	% Population Change 1990 to 2000	% Change in Projected Total Population (2000 - 2025)	% Change in Projected 18-24 Year Olds (2000-2025)
Nevada	64.0	93.3	74.1
Arizona	39.5	85.8	67.3
Florida	22.8	62.1	48.4
North Carolina	20.9	42.2	41.8
Texas	22.3	48.0	38.9
Georgia	25.8	39.7	36.2
Virginia	13.9	32.3	32.6
Maryland	10.4	27.7	31.6
Colorado	30.2	28.4	26.4
Utah	29.1	44.4	23.2
United States	13.5	24.2	14.1

Other SREB States

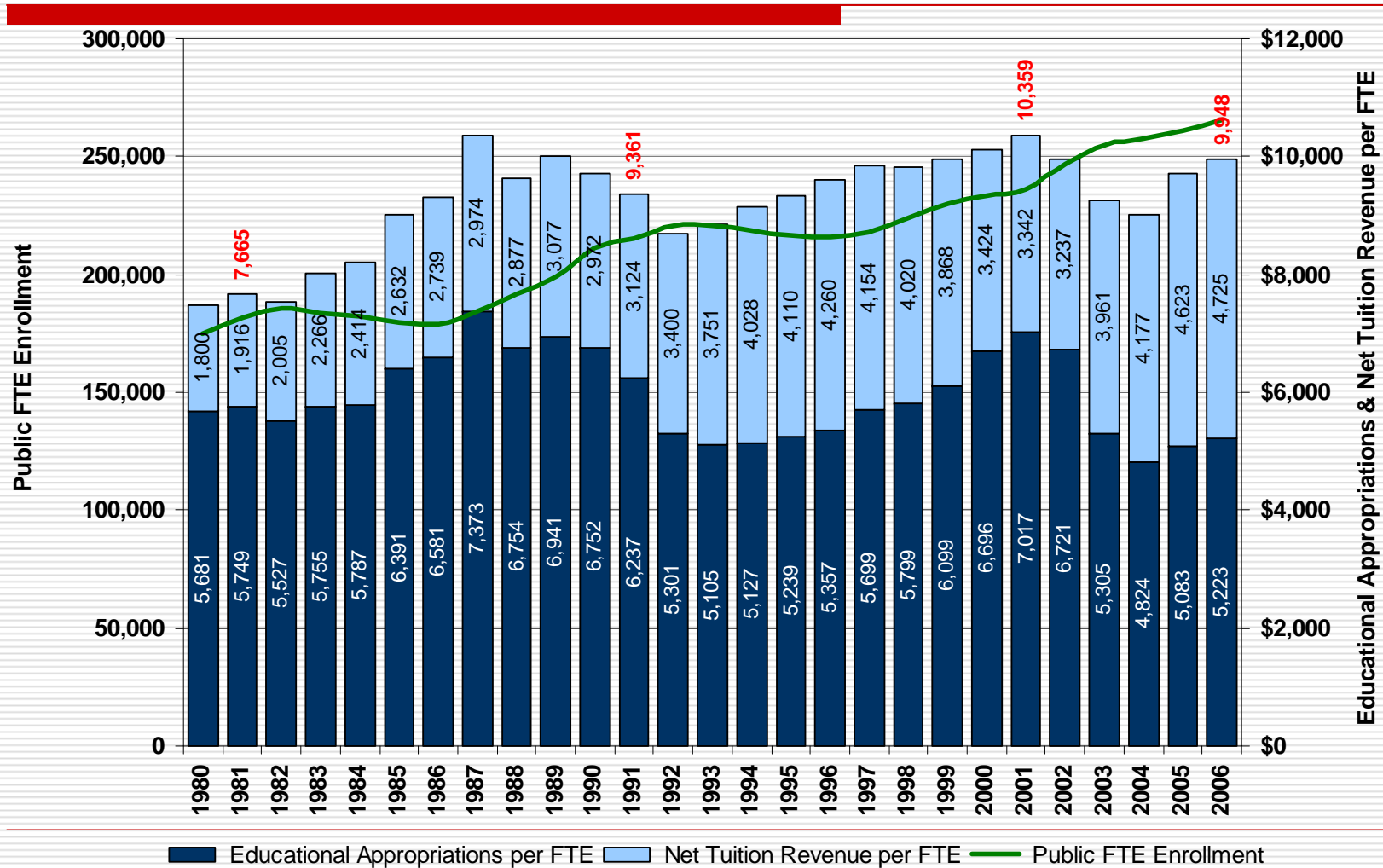
Virginia's Trends in Racial and Ethnic Composition



ENI - Levels of Educational Need



Educational Appropriations and Net Tuition Revenue per FTE in Public Institutions Compared to Trends in Enrollment Growth, FY 1980-2006, Virginia



■ Educational Appropriations per FTE ■ Net Tuition Revenue per FTE — Public FTE Enrollment



Data Source: SHEEO SHEF available at www.sheeo.org/finance/shef_fy06.pdf

Aligning Appropriations, Tuition, and Financial Aid Policy

Changing Direction

“Each year, state policymakers struggle with how to meet growing education needs through state allocations, how best to ensure shared and equitable responsibility for funding higher education, and how to maximize the use of subsidies, such as financial aid, to expand access and opportunity. Too often, these issues are dealt with as discreet questions rather than reflecting the interrelated nature of both higher education finance and financial aid policies.”

Cost Drivers in Higher Education

Faculty Salaries

- How do you remain competitive in an arms race?

Meeting Financial Aid Needs

- Affordability or access?
- Need aid vs. merit aid

Capital Costs

- Building a research infrastructure
 - Addressing deferred maintenance
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Additional Cost Drivers

- Technology Costs
- More Student Services
- More Reporting Needs
- Improved Student Amenities
- Energy Costs

The quest for excellence knows no bounds – we get all we can and spend all we get.

What are Other States Doing?

Maryland – Effectiveness and Efficiency

- Supporting Overarching Goals
 - Quality, Accessibility, Affordability, Accountability
 - Building Enrollment Capacity
 - Reducing Costs
 - Leadership Initiative
 - 16 Specific Action items
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E & E Action Items – Build Capacity

- Faculty Workload
 - 10% increase in teaching loads across system
 - Time to Degree
 - Programs limited to 120 hours
 - On-line and out-of-classroom learning
 - 12 credits completed outside traditional classroom
 - Enrollment management
 - Maximize utilization of “comprehensive” institutions
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E & E Action Items – Reduce Costs

- Support and Administration
 - Centralization of “shared services”
 - Procurement
 - Leveraging system buying power
 - Enrollment Management Service
 - Streamline student services functions
 - Review organizational structure of “special purposes” institutions
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E & E – Anticipated Impact

- ❑ Enable system to serve an additional 2,100 students over the next three years at no additional cost to state
- ❑ Reduce operating costs to free up money to invest in quality and mitigate tuition increases
- ❑ Fiscal Impact:
 - Academic items = \$9.5 million
 - Administrative items = \$17.1 million

What are Other States Doing?

Illinois – Priorities, Quality, Productivity (P.Q.P)

- Set priorities on what's the most important
 - A sustained focus on quality and long term change
- "Choices on what we must stop funding in order to pay for those things which we cannot allow to be underfunded."

P.Q.P Specifics

- Broad concept of productivity
 - Placing a value on both inputs and outputs
 - Productivity can come from strategic “investments”
 - Three fundamental ways to improve
 - Use resources efficiently
 - Allocate available resources optimally
 - Pursue the right goals
 - 25 Comprehensive Guidelines
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P.Q.P Guidelines

- Productivity of Instruction
 - Capacity in relation to student demand
 - Productivity of Research
 - External support
 - Academic Productivity
 - Faculty Workloads
 - Productivity of Administrative Functions
 - Redundancy of functions
 - Productivity of State-Level Functions
 - Effectiveness of regulatory functions
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A Few Common Themes

- ❑ Leadership: state level encouragement that impacts state and institutional priorities
 - ❑ Savings are put back into priorities
 - ❑ Helping institutions focus on what can be accomplished
 - ❑ Using data to stimulate conversations
 - ❑ Shared ownership and accountability
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How is the Federal Government Thinking About Cost?

- Senate Higher Education Act College Cost Provisions - "Transparency in College Tuition for Consumers"
 - Higher Education Price Index
 - Reflect the annual change in tuition and fees by sector
 - Price Increase Watch List (% and \$ change)
 - State Appropriations Chart
 - Compare % change in appropriations & tuition
 - Net Price calculator
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How is the Federal Government Thinking About Cost?

- House Higher Education Act College Cost Provisions - "State Commitment to Affordable College Education"
 - States will provide to institutions an amount equal to or greater than prior 5 yrs average
 - Sec. of Educ. will identify, disseminate and publicize "methods of cost containment."
 - The House also has price index, watch lists, quality task forces, appropriations charts, net prices and a student aid recipient survey

How is the Federal Government Thinking About Cost?

- The National Commission on the Cost of Higher Education (1997)
 - Costs are going up
 - Tuition's going up faster
 - College is still affordable
 - Education is a subsidized "product."
 - Financial aid has increased and state support has decreased
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What are Others Thinking About and Doing?

- “Good Policy, Good Practice” recommendations
 - Focus on improving outcomes
 - “Financial policy, the most potent weapon in the policy arsenal, can be structured to create powerful incentives to improve educational productivity.”
 - Tuition policy should “take into account the affordability of higher education.”
 - Financial aid policies should become more focused
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What are Others Thinking About and Doing?

- Making Opportunity Affordable:
Investing in College Access and Success
 - Spark a national dialogue about investing resources to achieve results
 - Mobilize and support leaders eager to take action
 - Unite courageous innovators to share ideas
 - Develop useful tools to help colleges and policymakers identify and monitor reforms
 - Produce research to explore key issues including cause of escalating costs
 - Fund model programs in states and institutions
 - Identify, document, and disseminate
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Concluding Thoughts

- ❑ It's not simple and it takes hard work.
 - ❑ Everything is inter-related and all actions have consequences.
 - ❑ Consider how pricing strategies can impact different institutions and different populations in different ways.
 - ❑ For your discussion: What do you want your state system to be, how do all financial polices including costs, price, tuition, financial aid and appropriations, impact those goals and what leadership is required from you?
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Concluding Thoughts

“...There are ways to simultaneously achieve access, quality, and efficiency in higher education. It is up to state leaders to develop appropriate policies and practices that meet their state’s unique needs for increasing the educational levels of its population.”

Good Policy, Good Practice

Improving Outcomes and Productivity in Higher Education: A Guide for Policymakers

Referenced Resources

Knocking at the College Door available at
<http://www.wiche.edu/policy/Knocking/1988-2018/profiles/va.pdf>

State Higher Education Finance (SHEF) available at
www.sheeo.org/finance/shef_fy06.pdf

Educational Needs Index (ENI) available at
<http://www.educationalneedsindex.com/>

Changing Direction available at
http://www.wiche.edu/policy/changing_direction/

NCHEMS Information Center available at <http://higheredinfo.org/>

Making Opportunity Affordable available at
<http://www.makingopportunityaffordable.org/>

Good Policy, Good Practice available at
http://www.makingopportunityaffordable.org/wp-content/file_uploads/good-policy_good-practice.pdf

Thank You

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