



HIGHER EDUCATION FINANCE: TRENDS AND ISSUES

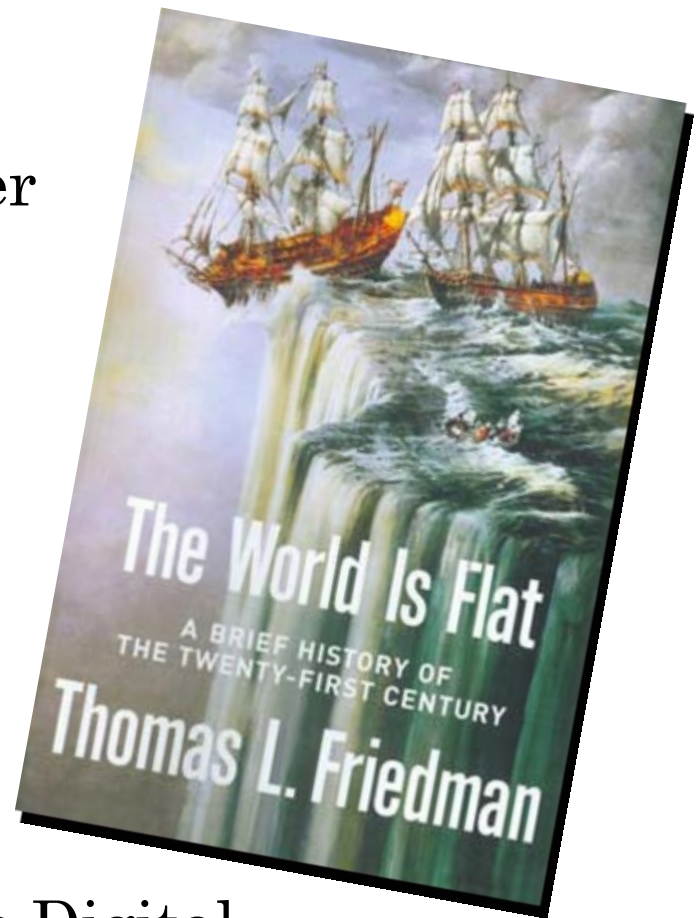
STATE COUNCIL OF HIGHER
EDUCATION FOR VIRGINIA

SEPTEMBER 14, 2009

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President, SHEEO

Forces flattening the global playing field

- Fall of Berlin Wall
- First Mainstream Web Browser
- Work Flow Software
- Open Sourcing
- Outsourcing
- Offshoring
- Supply-chaining
- Insourcing
- In-forming
- “The Steroids” Wireless Mobile Digital Communication

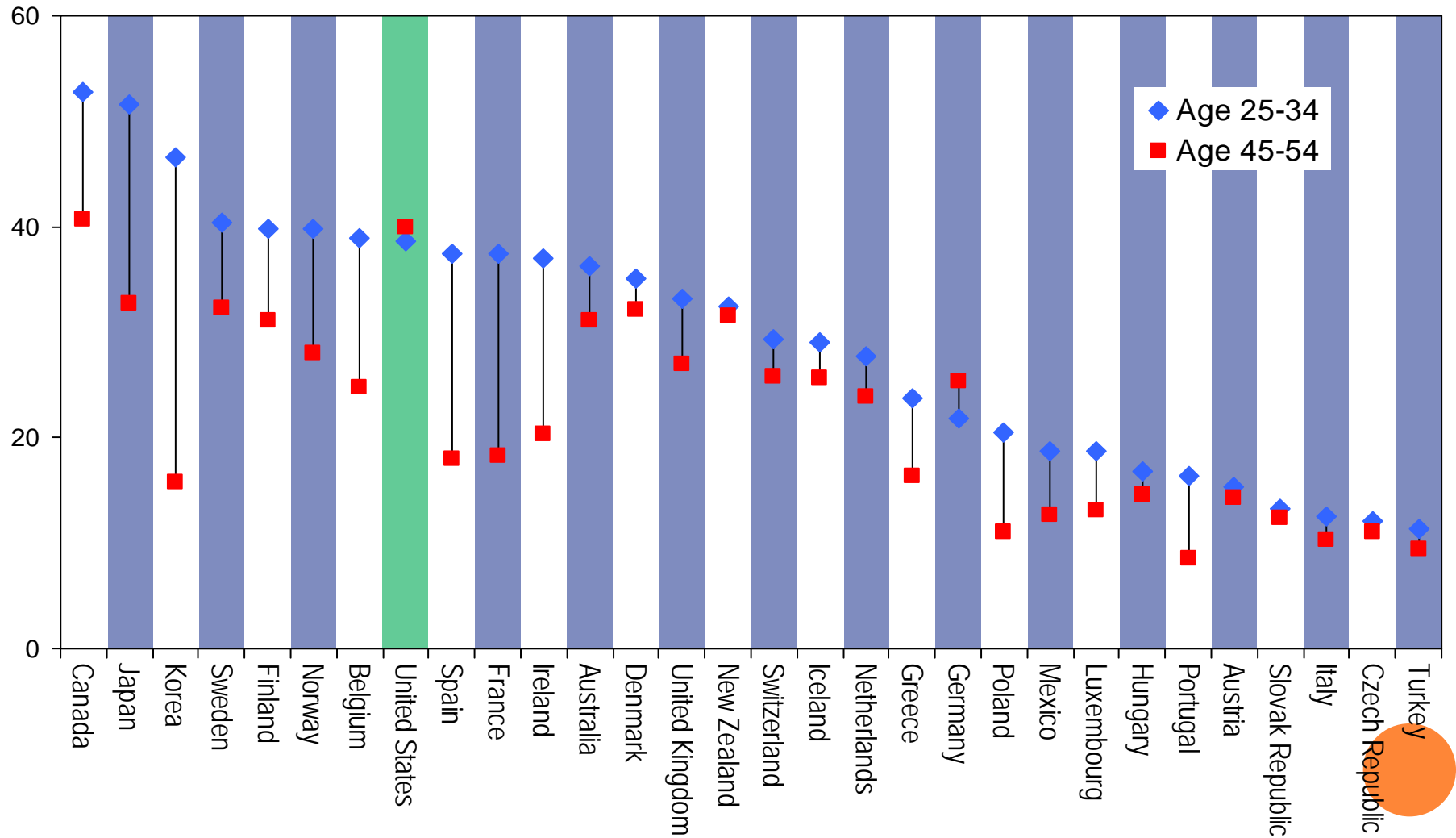


The price of American workers

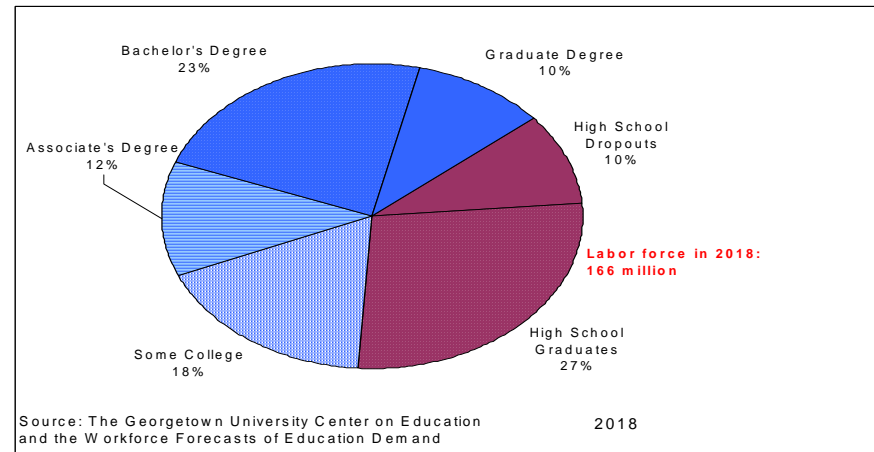
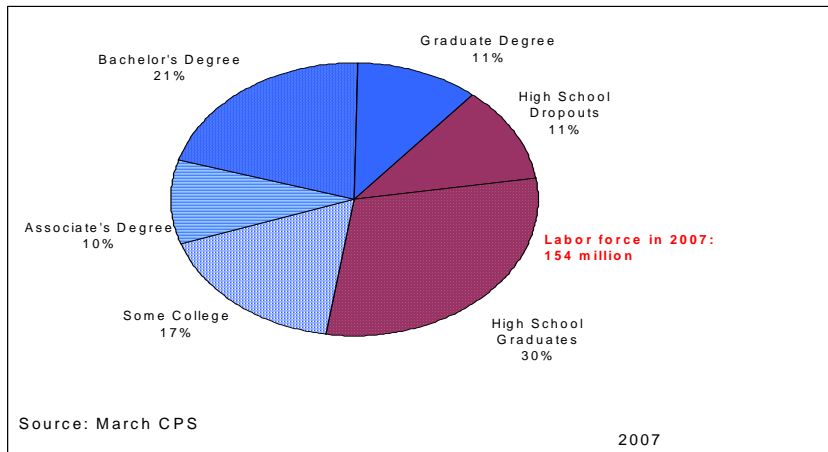
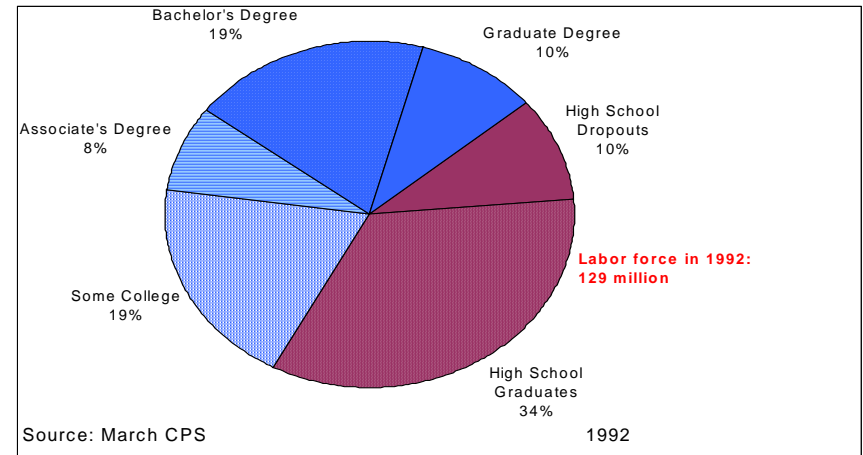
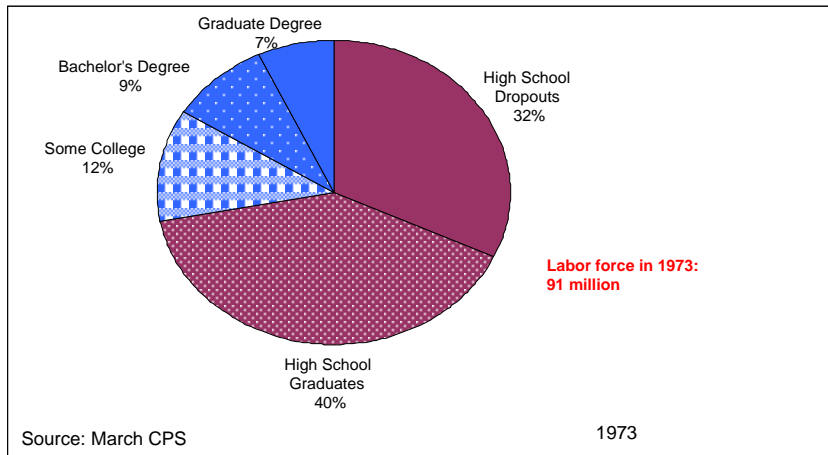
- American (and Western European) workers are the most expensive in the world.
- What will it take for them to be worth what they cost?
- They must be the best educated in the world.



Differences in college attainment (associate and higher) between young and older adults – U.S. And OECD countries, 2004



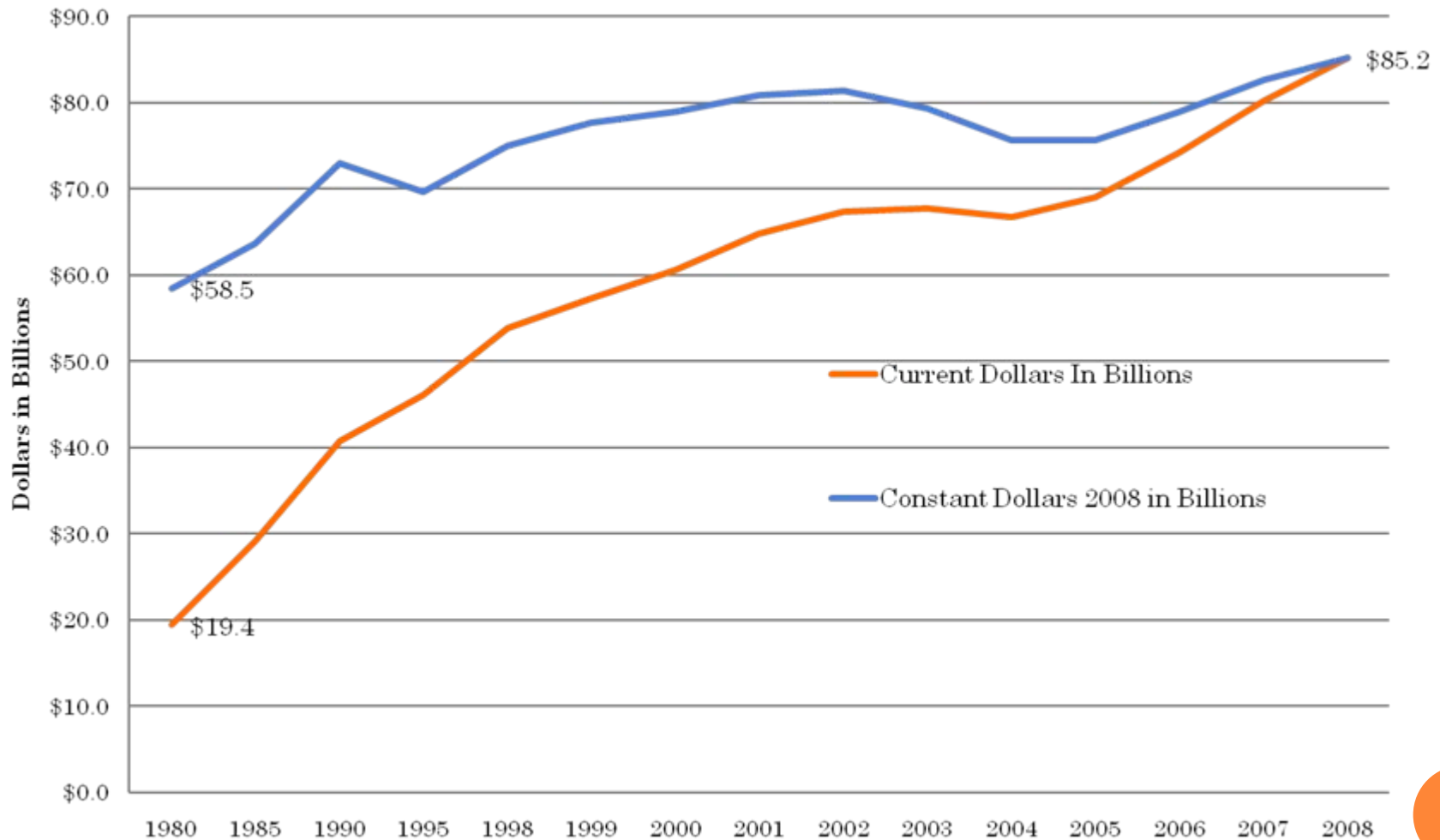
63% OF ALL JOBS WILL REQUIRE SOME POST SECONDARY EDUCATION AND TRAINING IN 2018



Source: Analysis of March CPS data, 1973 to present, Center on Education and the Workforce forecasts of education demand to 2018.



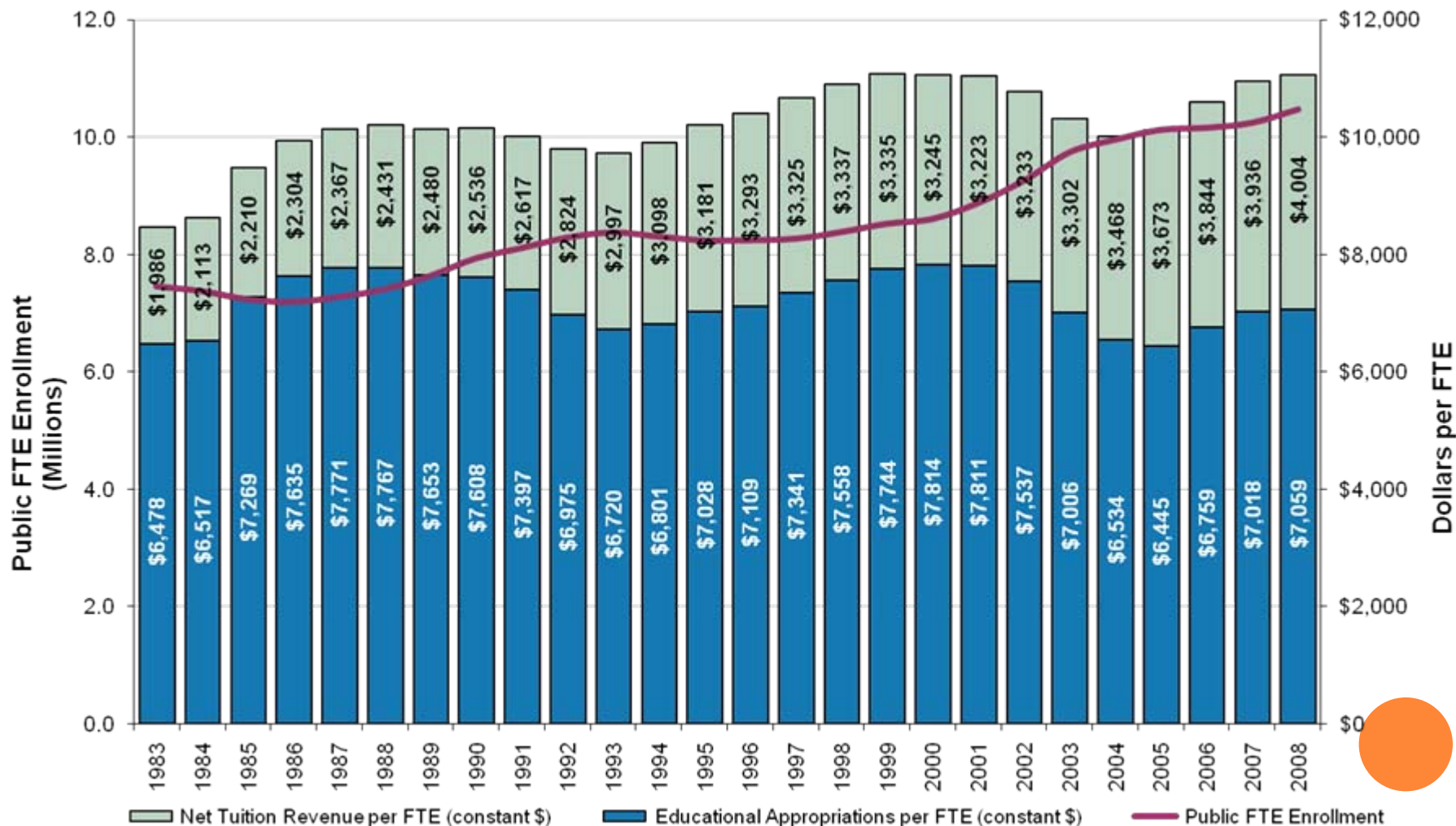
The historical record – 1980 to 2008 current dollars and constant dollars



Source: SHEEO SHEF FY 2008

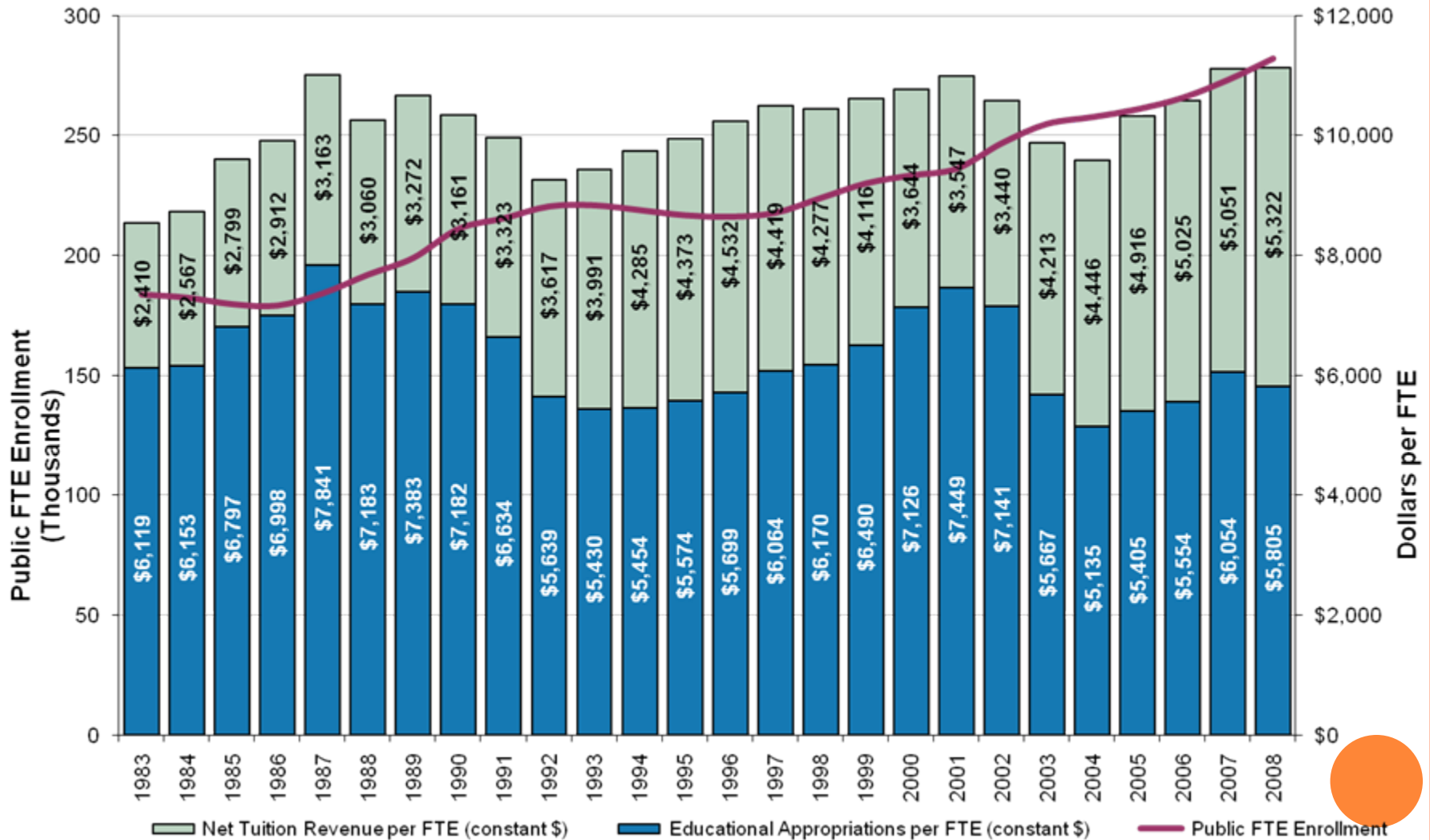
Notes: Constant 2008 dollars have been adjusted by the Higher Education Cost Adjustment (HECA).

Public FTE enrollment, educational appropriations and total educational revenue per FTE, United States - fiscal 1983-2008



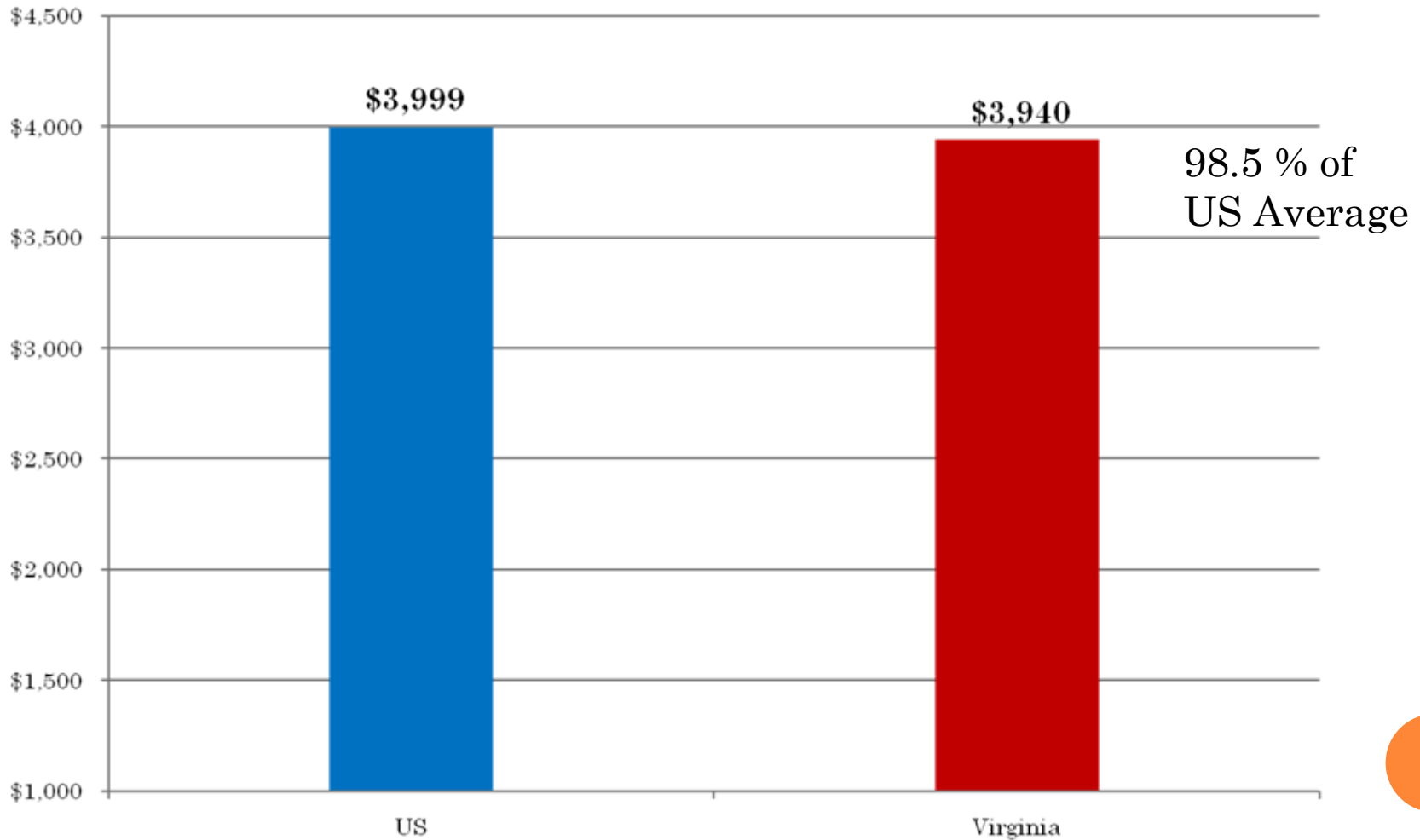
Note: Constant 2008 dollars adjusted by SHEEO Higher Education Cost Adjustment. (HECA) Source: SHEEO SHEF

Public FTE enrollment, educational appropriations and total educational revenue per FTE, Virginia - 1983-2008

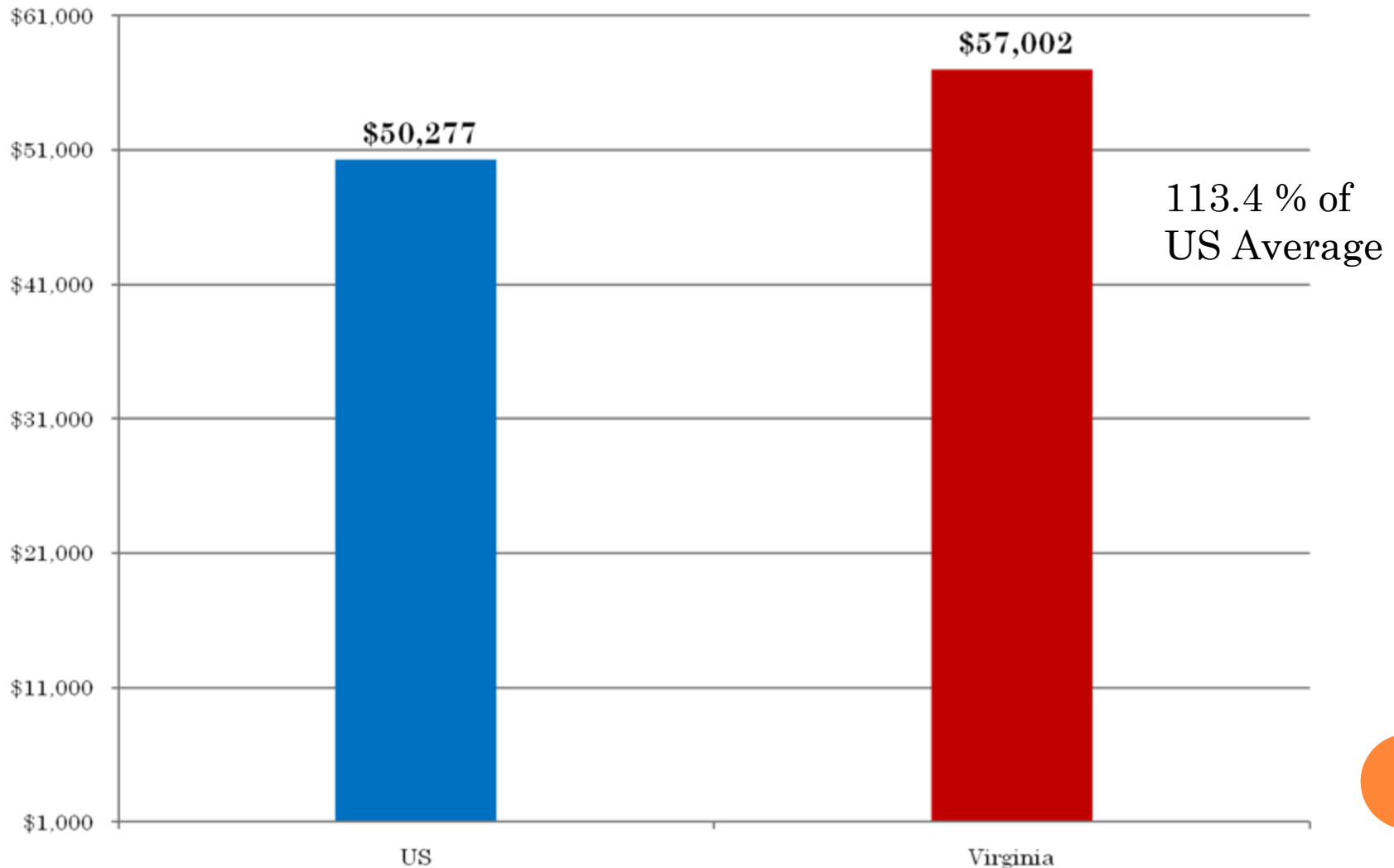


Note: Constant 2008 dollars adjusted by SHEEO Higher Education Cost Adjustment. (HECA) Source: SHEEO SHEF

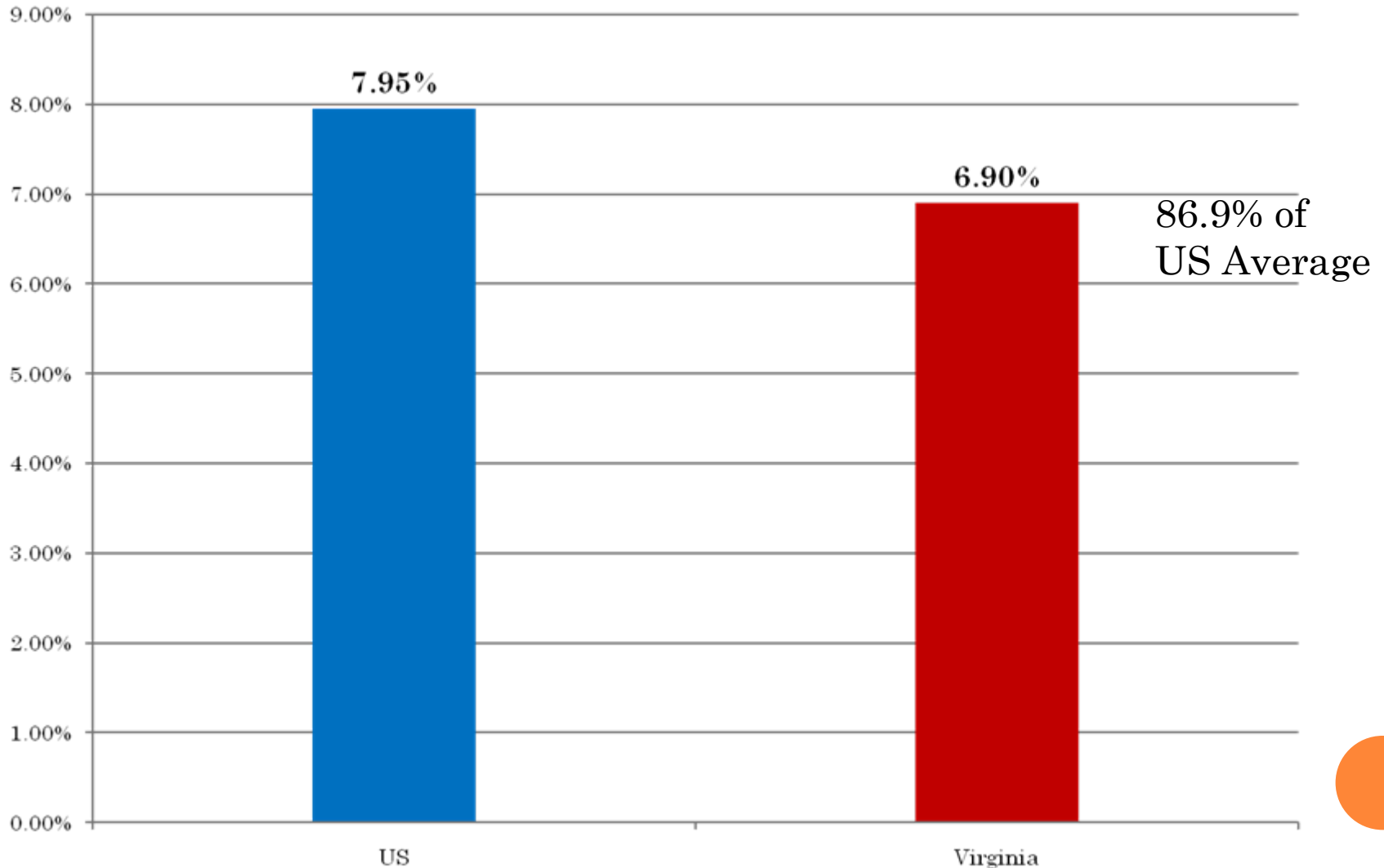
Tax revenues per capita - 2006



Taxable resources per capita

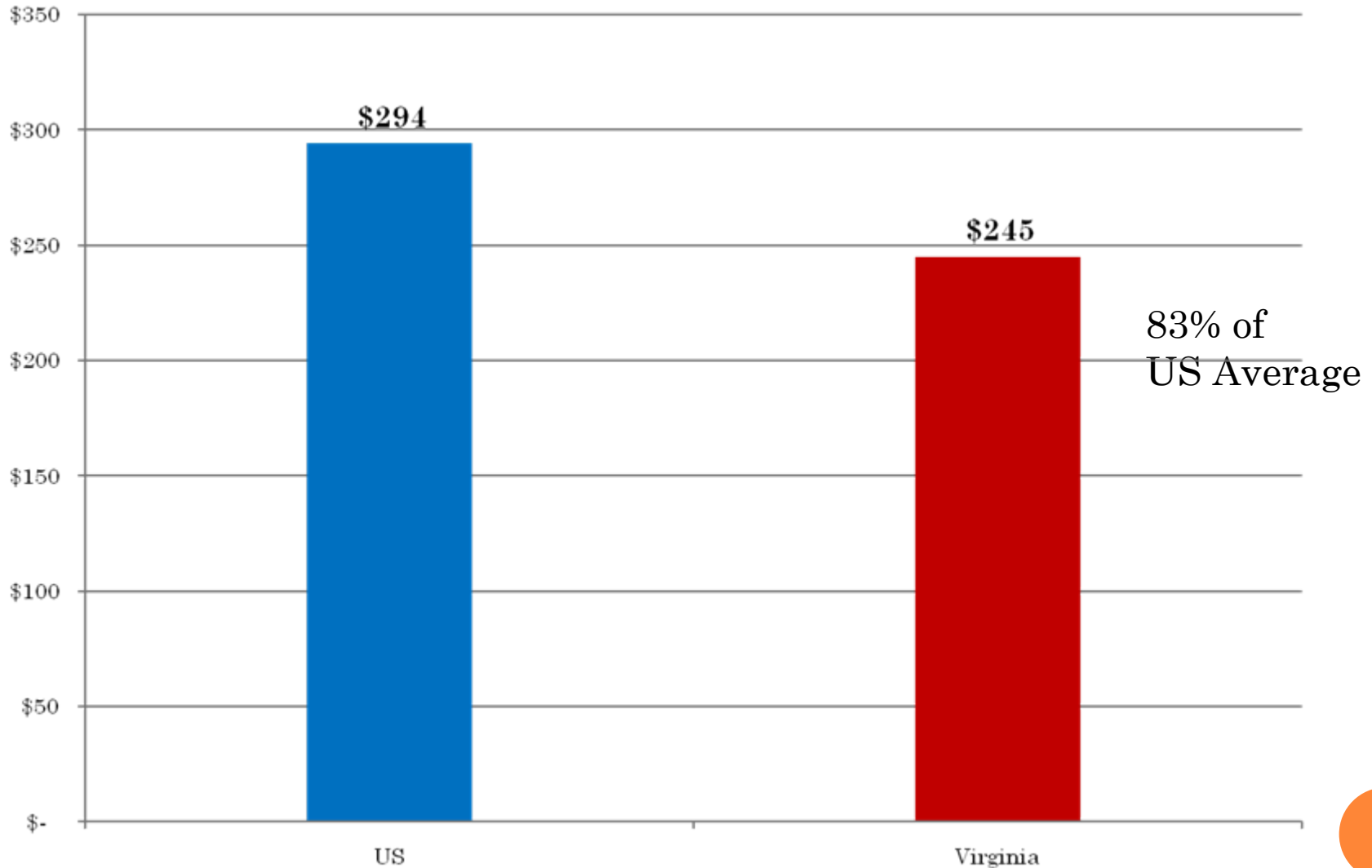


Effective state and local tax rate



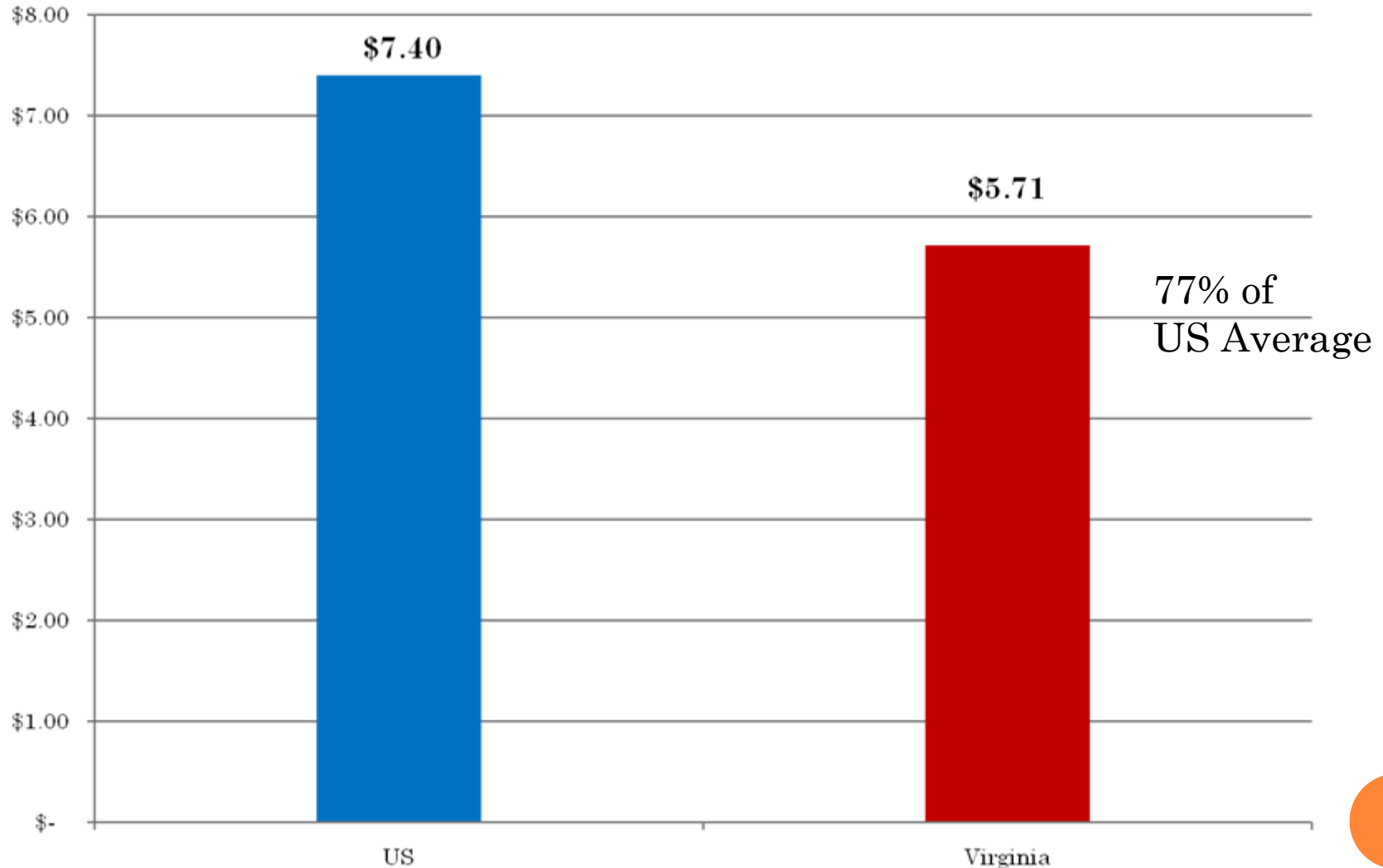
Source: Actual State + Local Tax Revenues by State - U.S. Census Bureau - www.census.gov/govs/www/estimate.html

Higher education support per capita



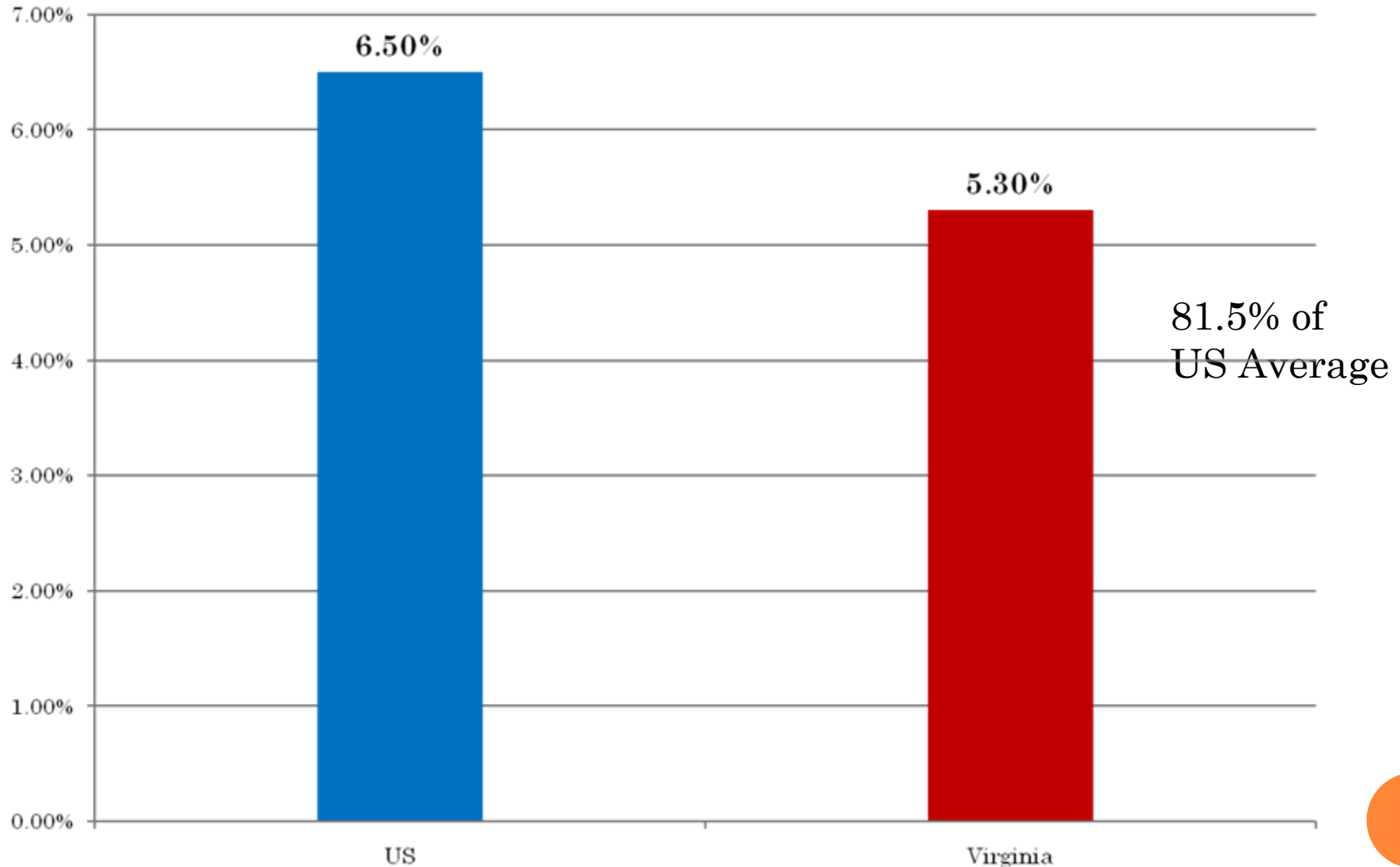
Source: SHEEO SHEF FY2008. State and Local tax and nontax support for public and independent higher education. Includes special purpose appropriations for research-agricultural-medical. Population and Personal income data from U.S. Census Bureau and Bureau of Economic Analysis. State and Local tax revenues data from U.S. Census Bureau; lottery profits data from North American Association of State and Provincial Lotteries.

Higher education support per \$1,000 of personal income (FY 2008)



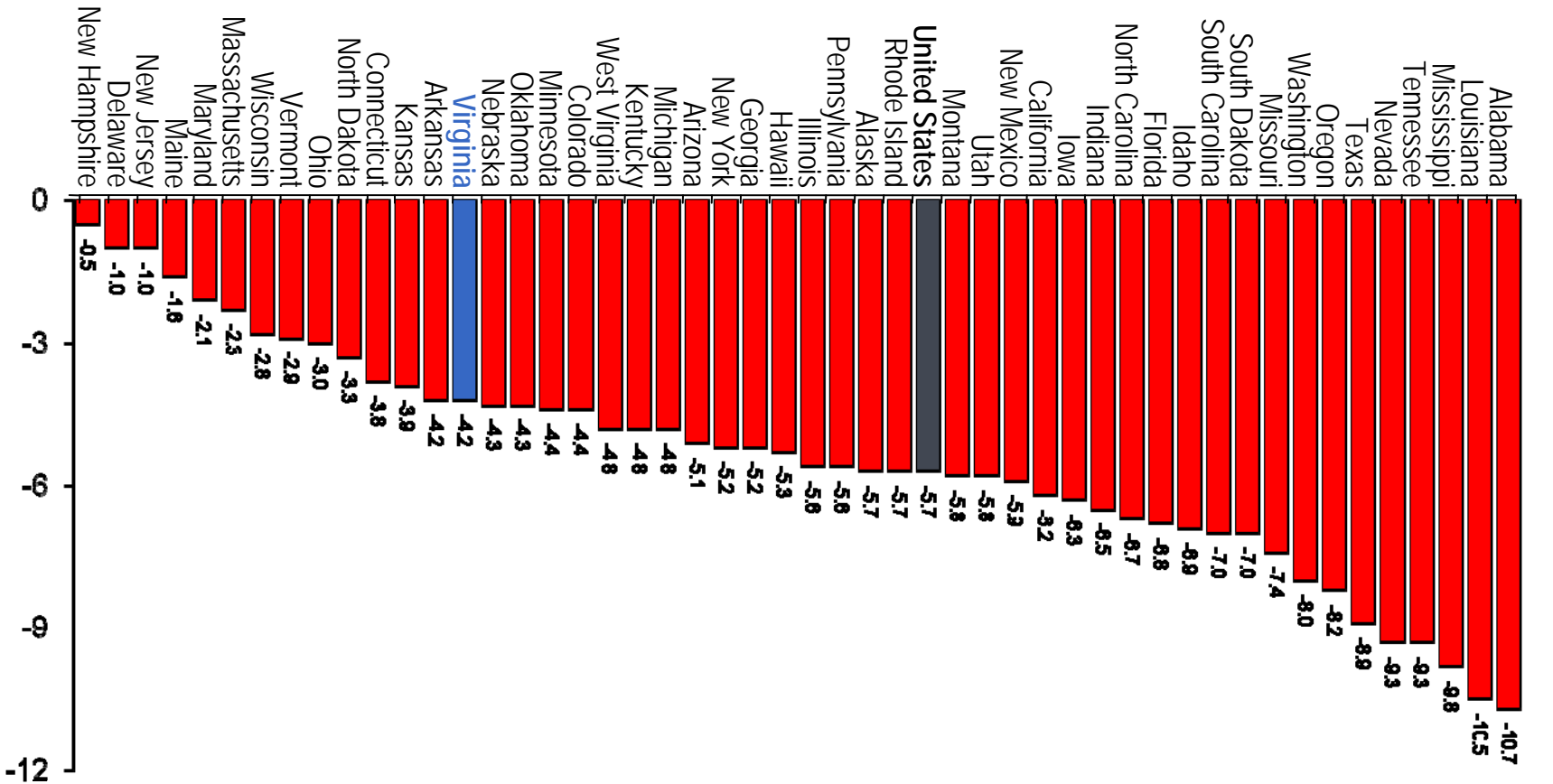
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Higher education support as a percent of tax revenues and lottery profits



Source: SHEEO SHEF FY2008. State and Local tax and nontax support for public and independent higher education. Includes special purpose appropriations for research-agricultural-medical. Population and Personal income data from U.S. Census Bureau and Bureau of Economic Analysis. State and Local tax revenues data from U.S. Census Bureau; lottery profits data from North American Association of State and Provincial Lotteries.

Projected state and local budget deficits as a percentage of revenues, 2013



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

Three wrong ideas about money in education

- There is a “right amount;” we can create the perfect formula.
- The only way to get improved performance is to spend more money.
- We can get the results we need without spending more money.



Three “right” questions about money in education

- What does the public need from higher education?
- What can higher education do better with the money we have now?
- Where can strategic investments help us get the results we need?



Is tuition growing too fast?

- Tuition is not the full story
 - Non-tuition costs are \$10,000 to \$12,000 for a full time student
 - Pell Grants and reasonable part-time work barely cover non-tuition costs for a low-income student
 - Low-income students need state and institutional aid in order to pay tuition costs



Constant dollar net tuition – 1983 to 2008

- United States – grew from \$1986 to \$4004, an increase of 102%
- Virginia – grew from \$2410 to \$5322, an increase of 121%



Changing policy questions for tuition and fees

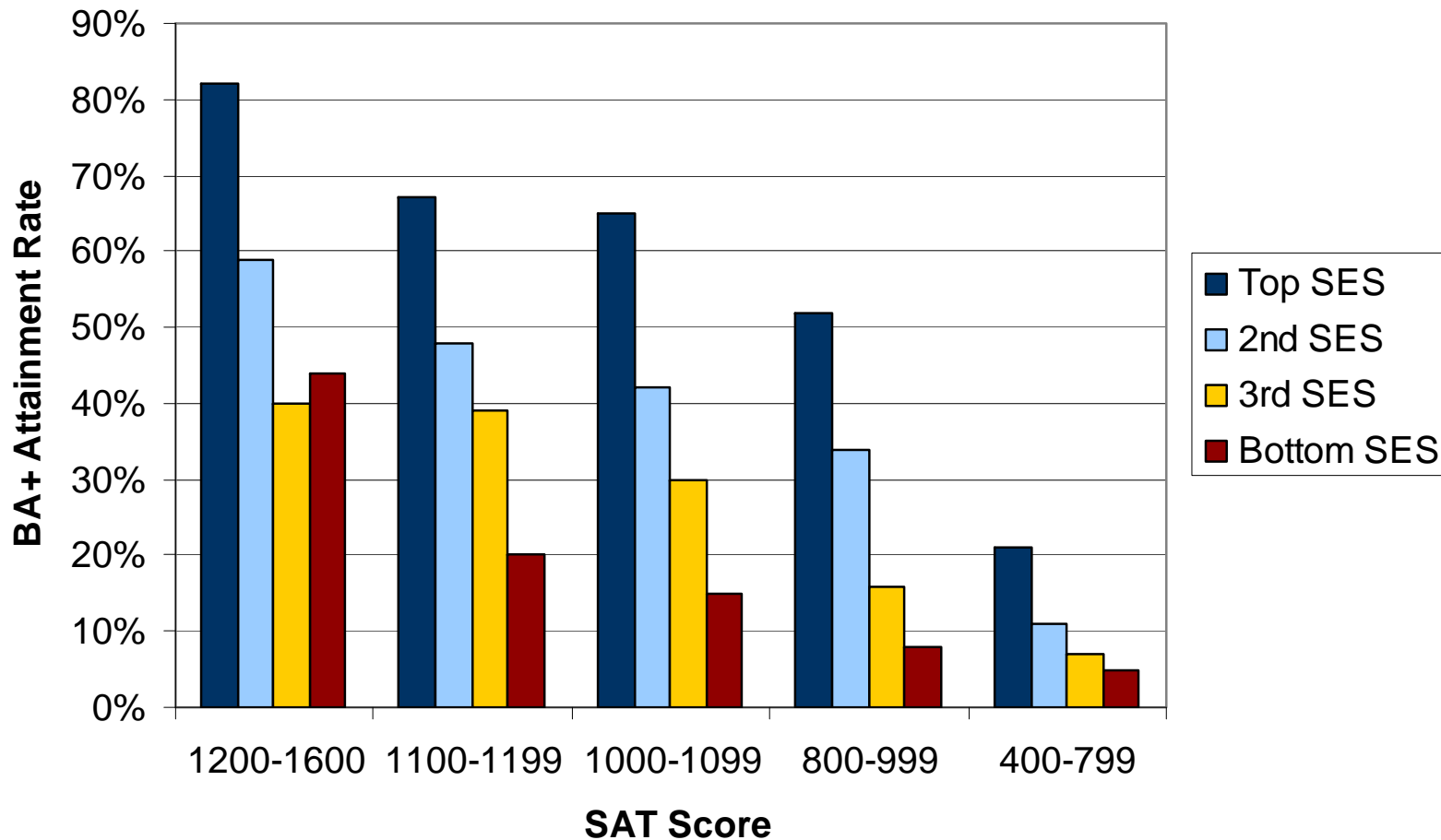
- Mid 20th century questions:
 - Who Pays? Who Benefits? Who Should Pay?
- 21st Century questions:
 - What prices, what financial aid, what levels of public support are required to achieve world class educational attainment?



College Participation by Socioeconomic Status

College Participation By Achievement Test and Socioeconomic Status Quartile		SES Quartile	
		Lowest	Highest
Achievement Quartile	Highest	78%	97%
	Lowest	36%	77%

Degree Attainment by SAT Scores and Socioeconomic Status



Trends in State Financial Aid

- 1990s to 2005
 - Merit based programs grew rapidly
 - Need-based aid continued to grow, but more slowly
 - Need-based, with incentives for academic preparation, developed in Indiana and Oklahoma
- 2005 to 2008
 - State student aid grew from \$4 billion to \$5.2 billion for public students, from \$2 billion to \$2.3 billion for independent students
- 2009 to 2012
 - The effects of the budget crisis??



Paths toward greater productivity

- Improving preparation in K-12
- Focusing sharply on priorities to guide reallocation – do less with more!
- Reducing the leaks in the educational pipeline
- Redesigning the delivery system to make better use of technology
- Recognizing un-credentialed learning to accelerate degree completion
- Re-engaging adults with some college but no degree
- Changing policies that delay or add unnecessary cost to degree completion



Future realities in state funding

- Enrollment demand will keep growing
- Health care and other costs related to an aging society will keep growing
- The U.S. workforce will shrink without continued immigration
- The active U.S. workforce and the U.S. economy will shrink further without improved educational achievement
- The factors driving higher education costs upward will not disappear – they must be managed



The privatization of higher education?

- A diversified system promotes quality and widespread attainment
- Competition for students and prestige in higher education has increased both costs and funding disparities – the rich have become richer
- Regulations are justified only by the value they add, not by state financial support
- More widespread educational attainment will require a greater investment in those who have not been enrolling and completing programs
- Both educators and the public must contribute



The federalization of higher education?

- National standards and national goals are becoming more necessary and important
- The federal government is well-positioned neither to operate colleges and universities nor to replace state funding for operations and capital
- Growing state obligations for K-12 education and health care (Medicaid) have made state support for higher education more difficult
- We have the will and resources to meet the educational challenges of the 21st century, but it will take commitment and persistent effort.



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