HIGHER EDUCATION FINANCE: TRENDS AND ISSUES

STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA

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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

Source: NCHEMS using Organisation of Economic Cooperation and Development (OECD).
63% of all jobs will require some post secondary education and training in 2018.

Labor force in 1973: 91 million
- High School Graduates: 40%
- High School Dropouts: 32%
- Some College: 12%
- Bachelor's Degree: 9%
- Graduate Degree: 7%

Source: March CPS 1973

Labor force in 1992: 129 million
- High School Graduates: 34%
- High School Dropouts: 10%
- Some College: 19%
- Bachelor's Degree: 8%
- Associate's Degree: 12%

Source: March CPS 1992

Labor force in 2007: 154 million
- High School Graduates: 30%
- High School Dropouts: 11%
- Some College: 17%
- Bachelor's Degree: 21%
- Graduate Degree: 11%

Source: March CPS 2007

Labor force in 2018: 166 million
- High School Graduates: 27%
- High School Dropouts: 10%
- Some College: 18%
- Bachelor's Degree: 25%
- Graduate Degree: 10%

Source: The Georgetown University Center on Education and the Workforce Forecasts of Education Demand 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

Source: U.S. Census Bureau - www.census.gov/govs/www/estimate.html
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

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

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

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

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<th>Achievement Quartile</th>
<th>SES Quartile</th>
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<td>77%</td>
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<tr>
<td>Highest</td>
<td>Highest</td>
<td>78%</td>
<td>97%</td>
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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.
CONTACT INFORMATION

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