

SCOMM

141:3

Financing in Sync: Aligning Fiscal Policy with State Objectives

Dennis Jones

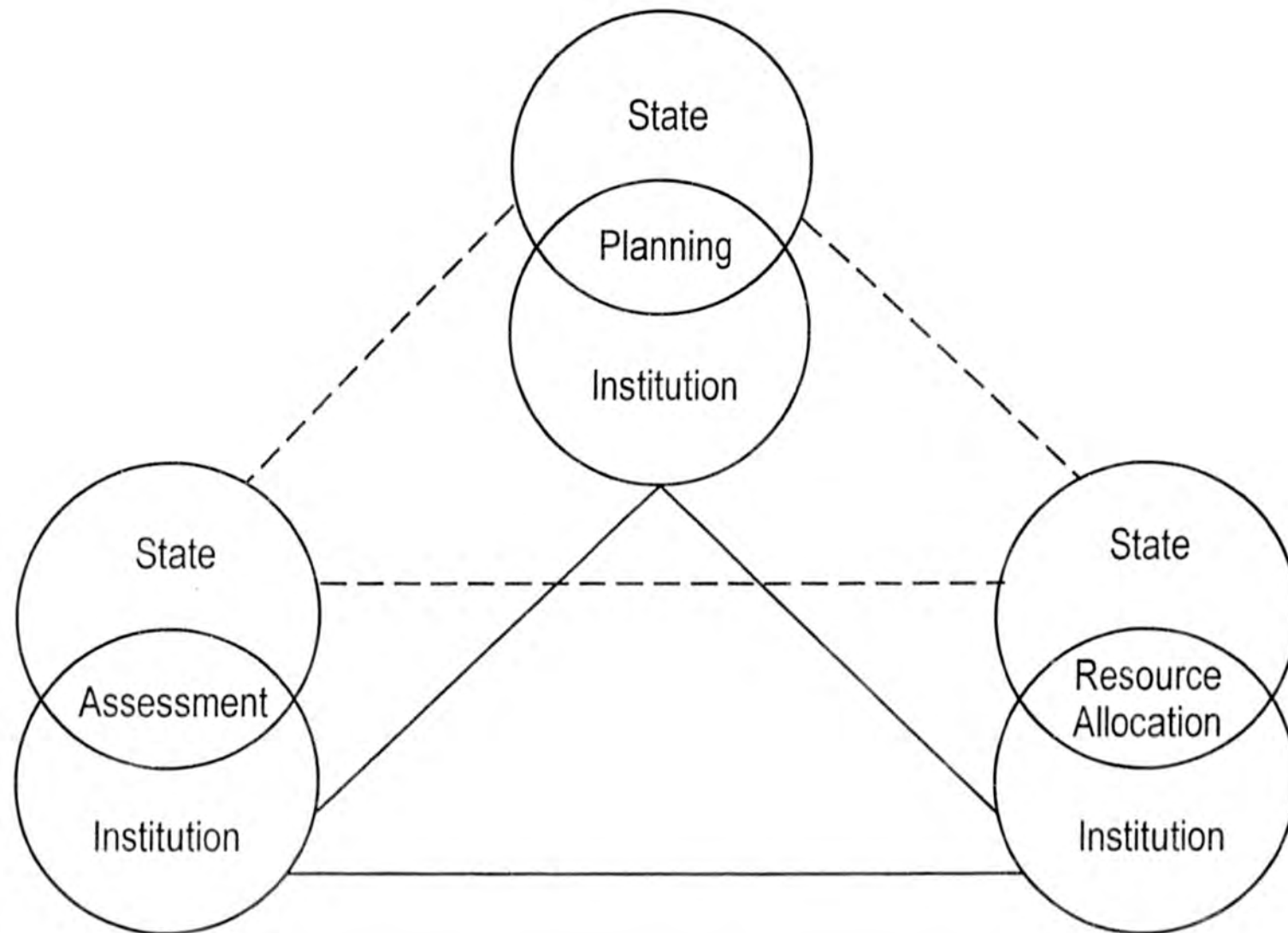
Presented to the
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National Center for Higher Education Management Systems
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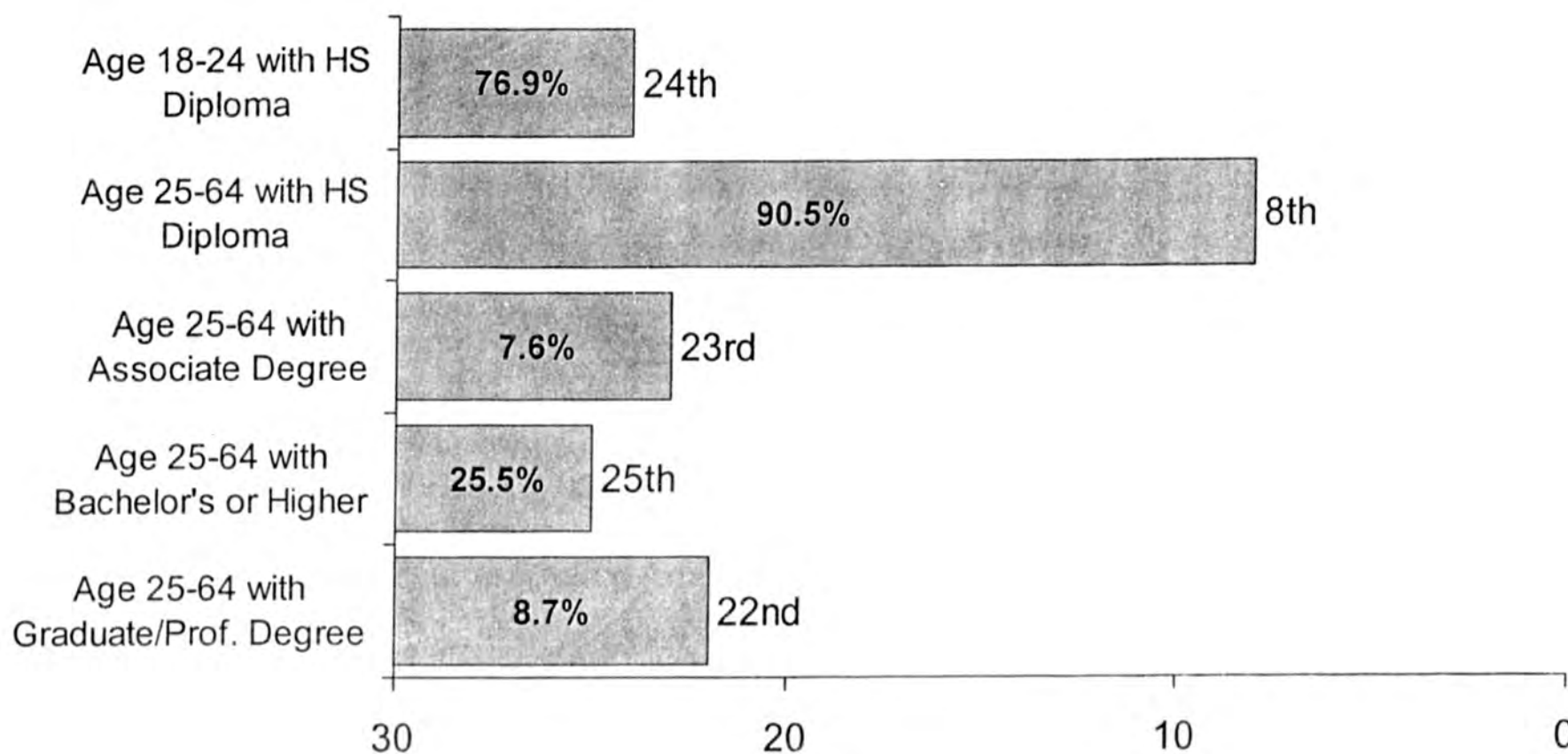
The Management Cycle in a Public Institution



State Policy Objectives

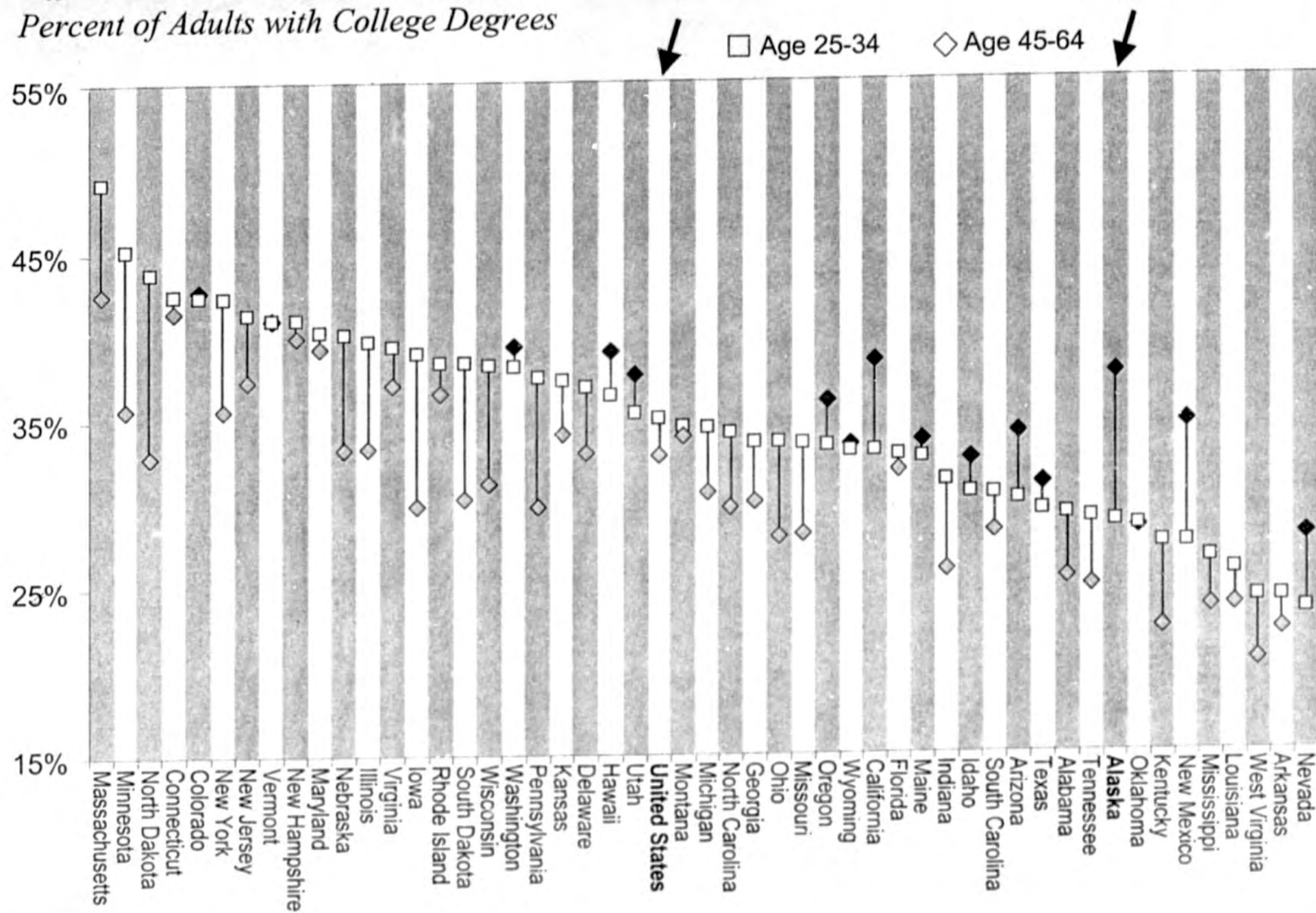
- High Rates of High School Completion of Students Who Have Taken an Academically Rigorous Curriculum
- High Levels of College Participation of Both Recent High School Graduates and Adult Learners
- High Rates of College Degree Completion
- High Levels of Degree Production in Selected Fields
- An Economy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

Educational Attainment and Rank Among States— Alaska, 2000 (Percent)



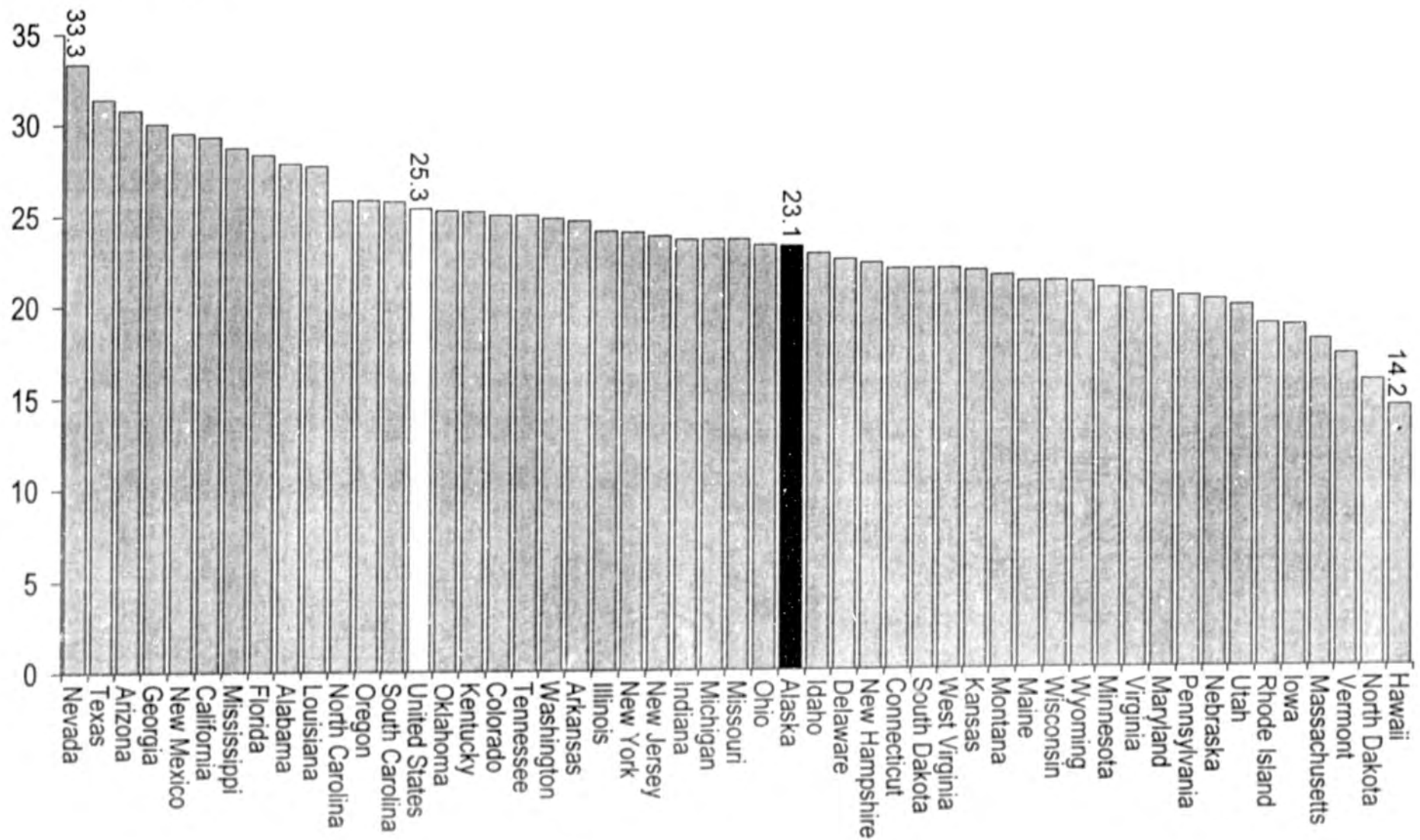
Source: U.S. Census Bureau, 2000 Census

*Differences in College Attainment (Associate and Higher) Between Young and Older Adults—
Percent of Adults with College Degrees*



Source: U.S. Census Bureau, 2000 Census

Percent of Population Age 18-24 with No High School Diploma



Source: U.S. Census Bureau, 2000 Census

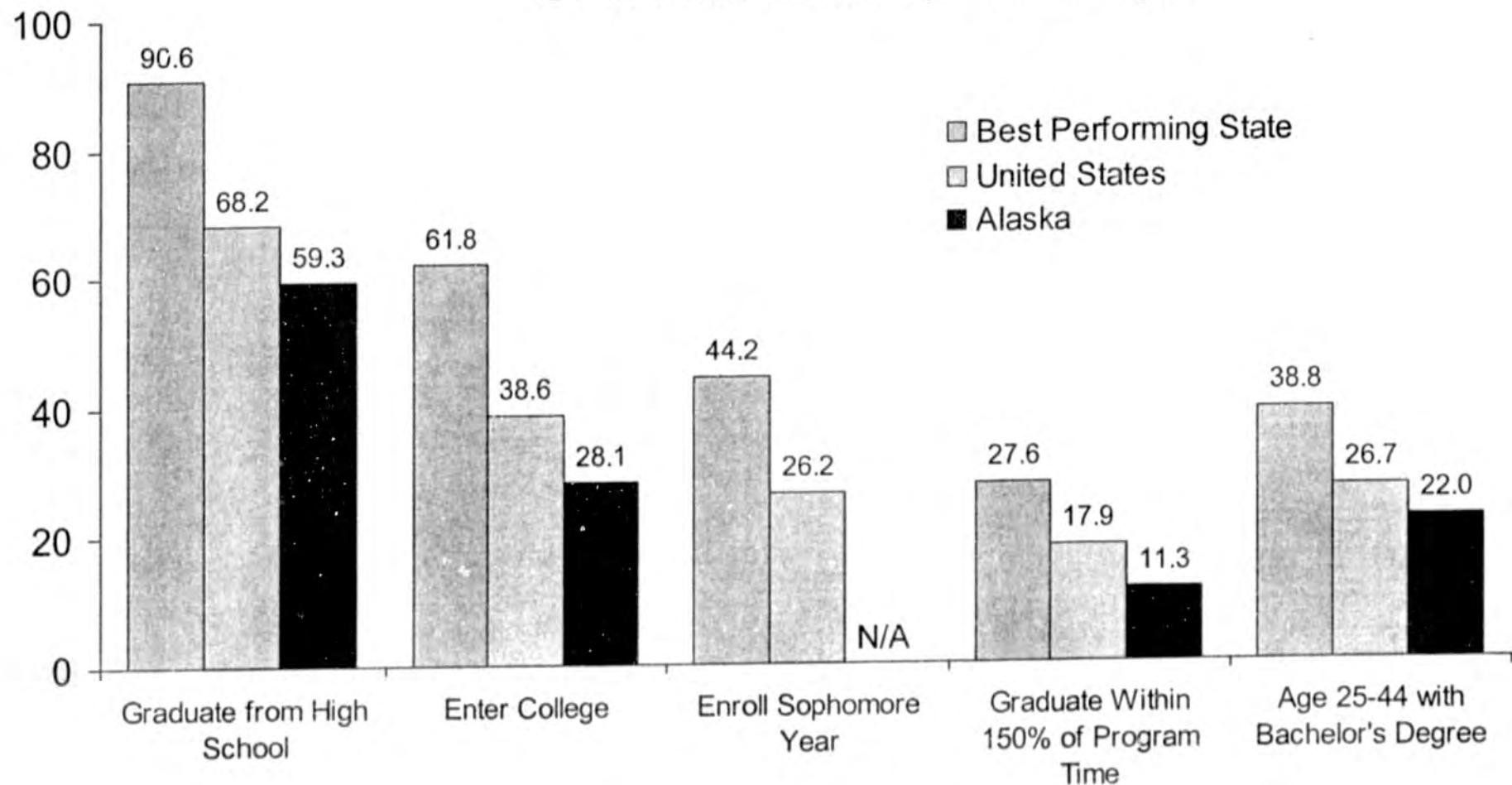
Alaska Civilians Age 25-64 in the Workforce by Education Attainment, 2000

	In Civilian Workforce		Not in Civilian Workforce	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than High School	19,110	58.9	13,315	41.1
High School Diploma or GED	70,748	75.3	23,159	24.7
Some College, No Degree	76,104	79.5	19,676	20.5
Associate Degree	21,179	85.4	3,625	14.6
Bachelor's Degree	46,097	83.8	8,925	16.2
Graduate or Professional Degree	25,922	85.6	4,349	14.4

Source: Integrated Public Use Microdata Series 5% sample, Alaska Population Center; www.ipums.org

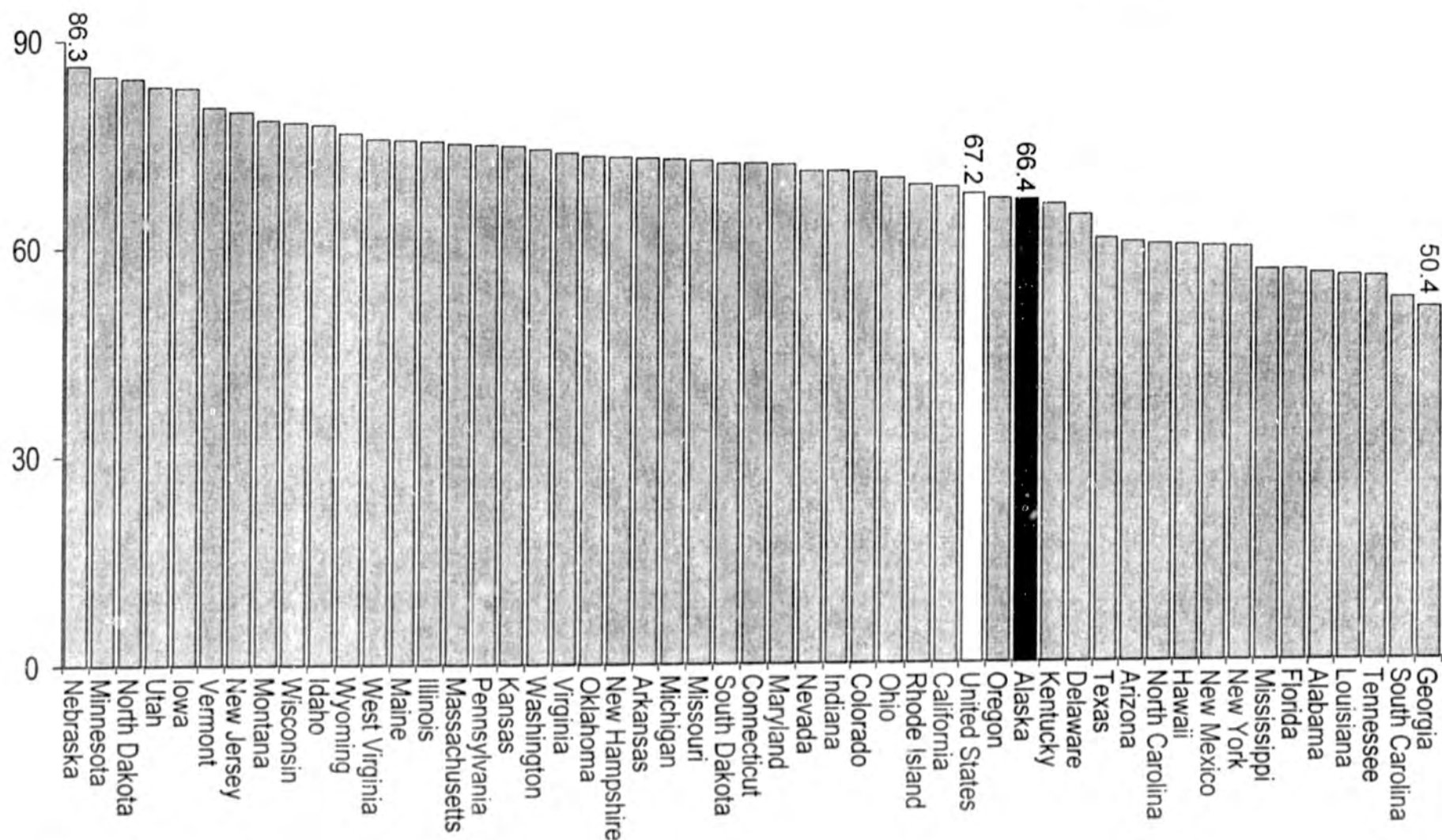
Student Pipeline, 2002—Alaska

Of 100 9th Graders, How Many...



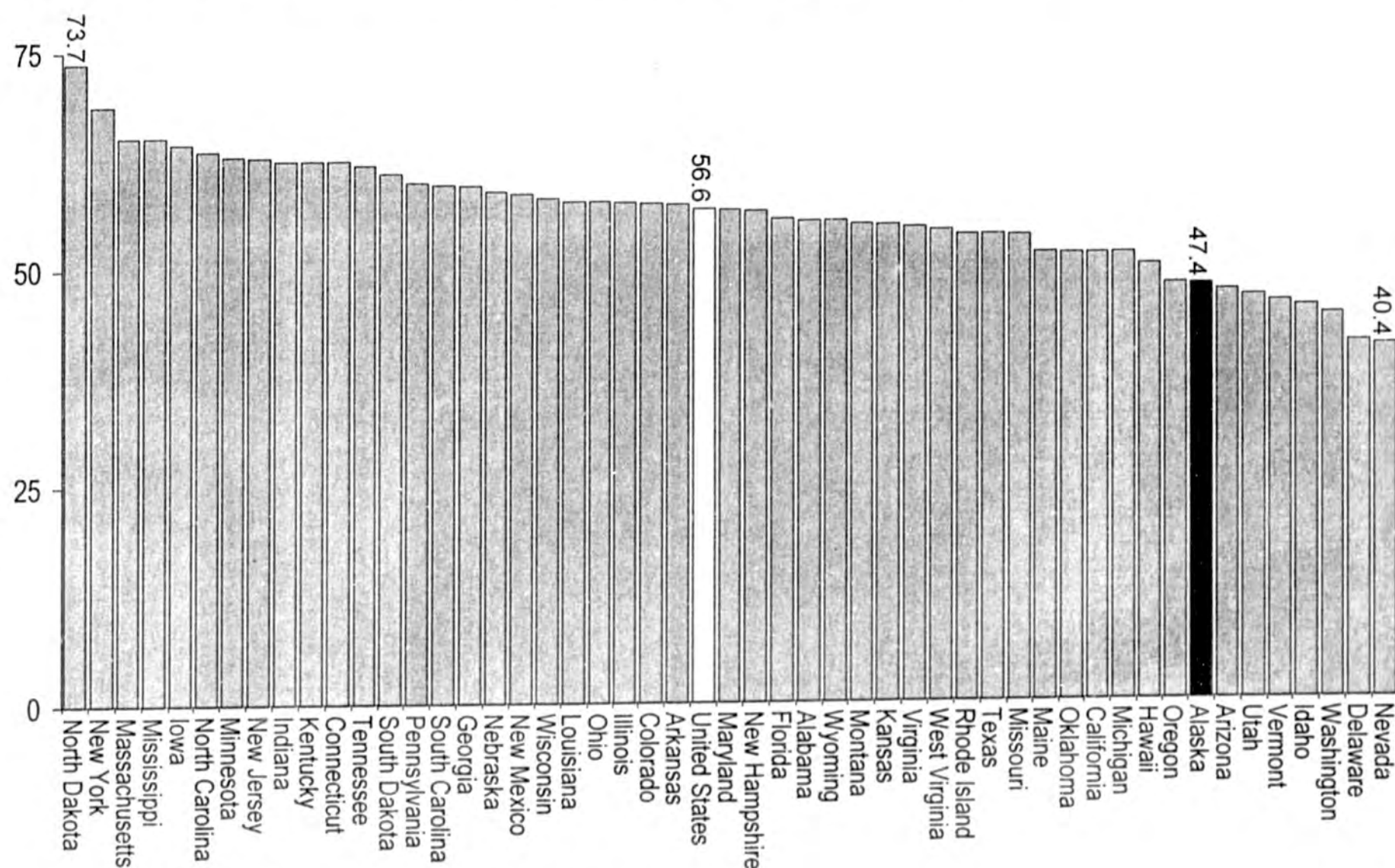
Source: NCES Common Core Data, NCES IPEDS 2002 Residency and Migration Survey, ACT Institutional Survey, NCES IPEDS Graduation Rate Survey

High School Graduation Rates—Public High School Graduates as a Percent of 9th Graders Four Years Earlier, 2002



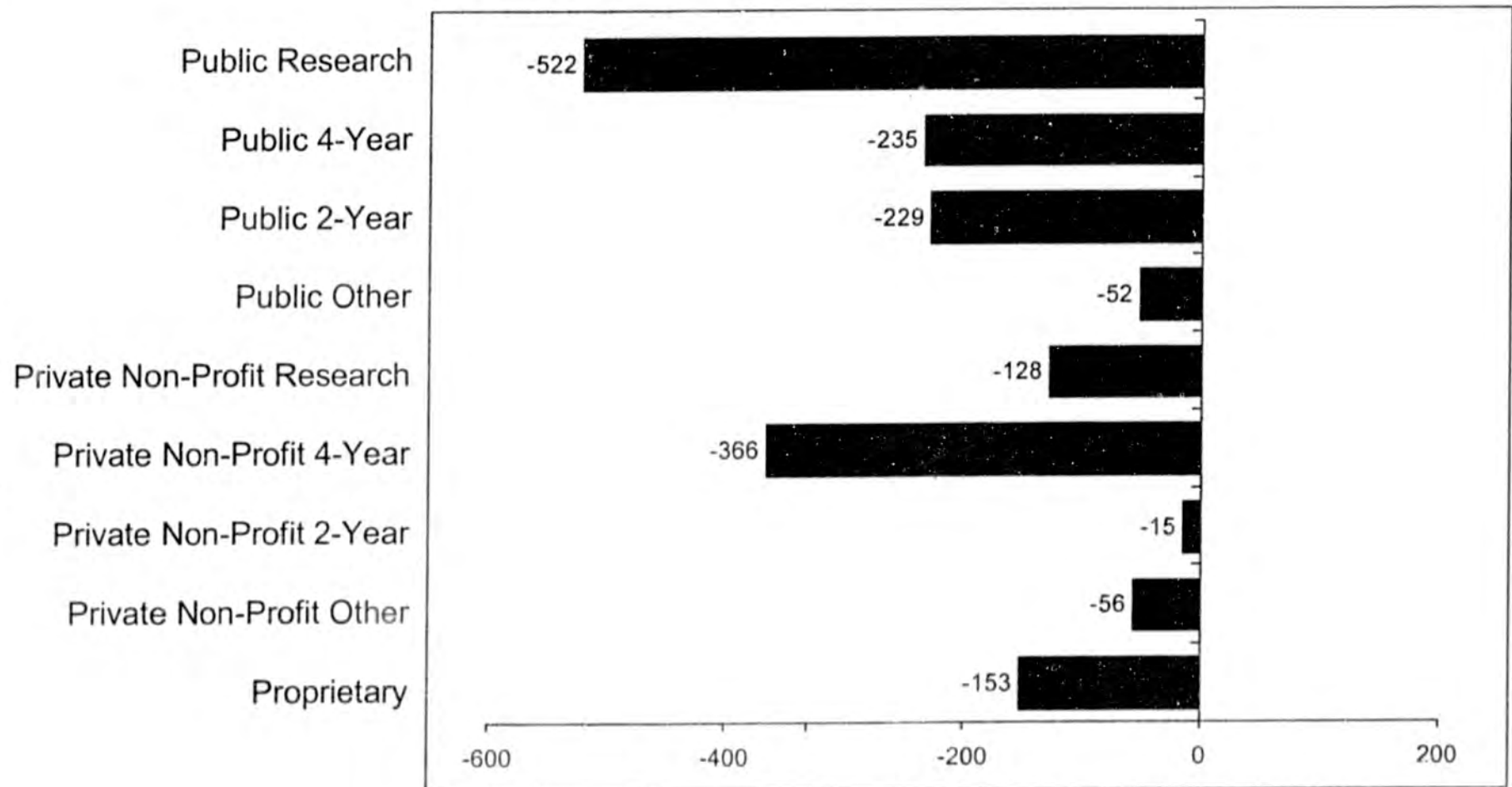
Source: Tom Mortenson, Postsecondary Opportunity

College-Going Rates—First-Time Freshmen Directly Out of High School as a Percent of Recent High School Graduates, 2002



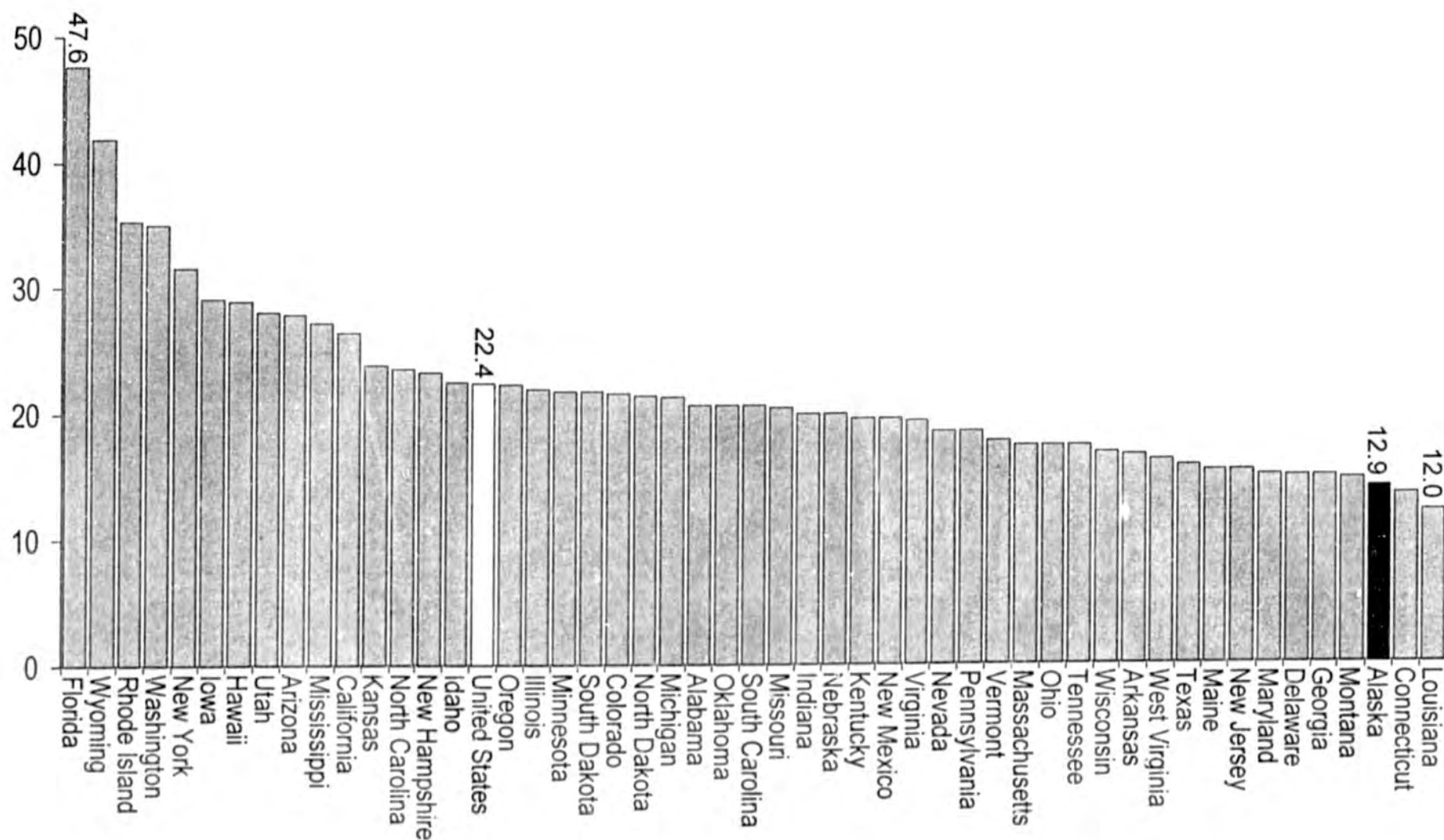
Source: Tom Mortenson, Postsecondary Opportunity

First-Time Freshmen Net Imports by Institution Type for Alaska, Fall 2002



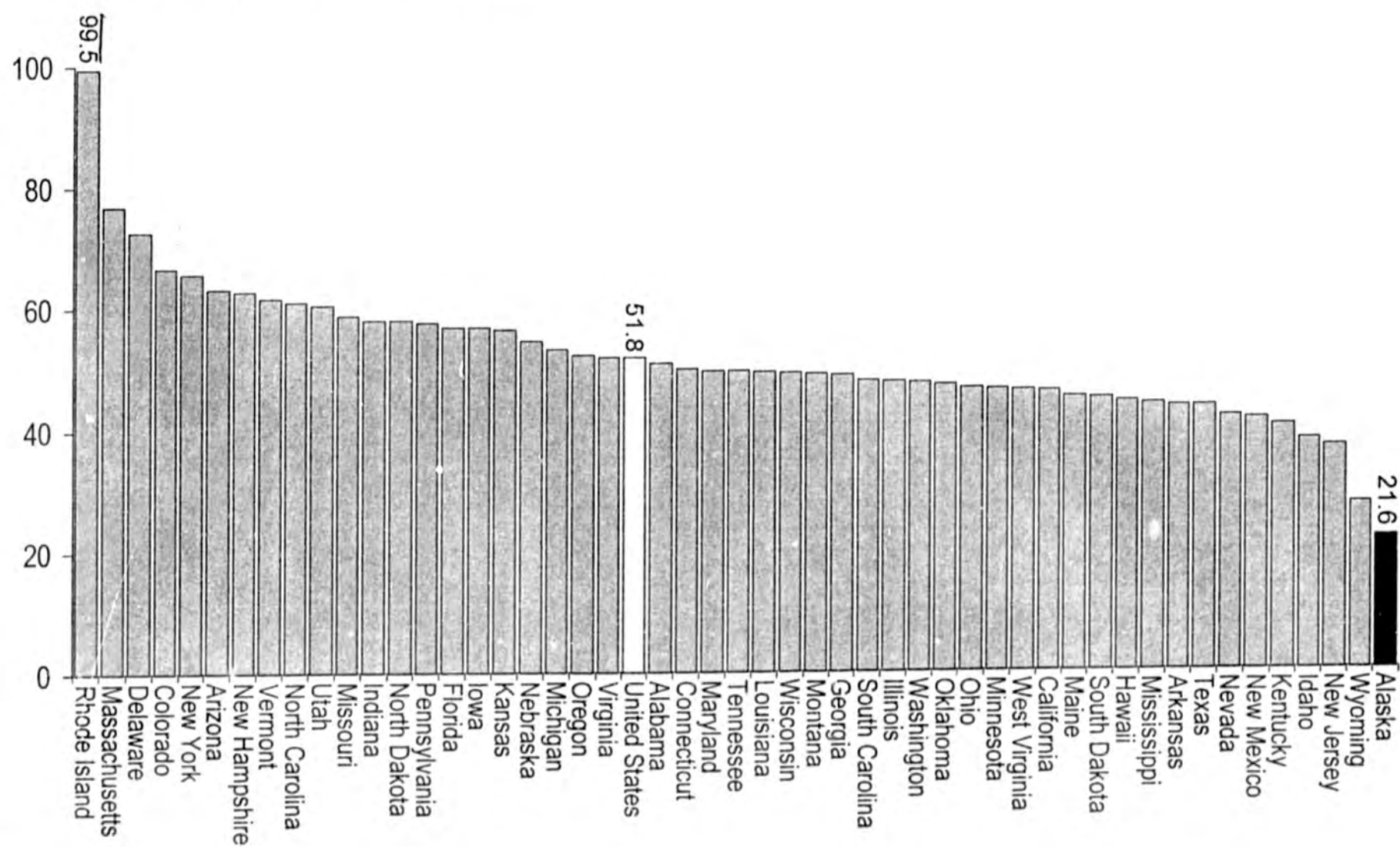
Source: NCES, IPEDS Fall 2002 Enrollments, Residency and Migration File

Associate Degrees Awarded per 100 High School Graduates Three Years Earlier, 2003



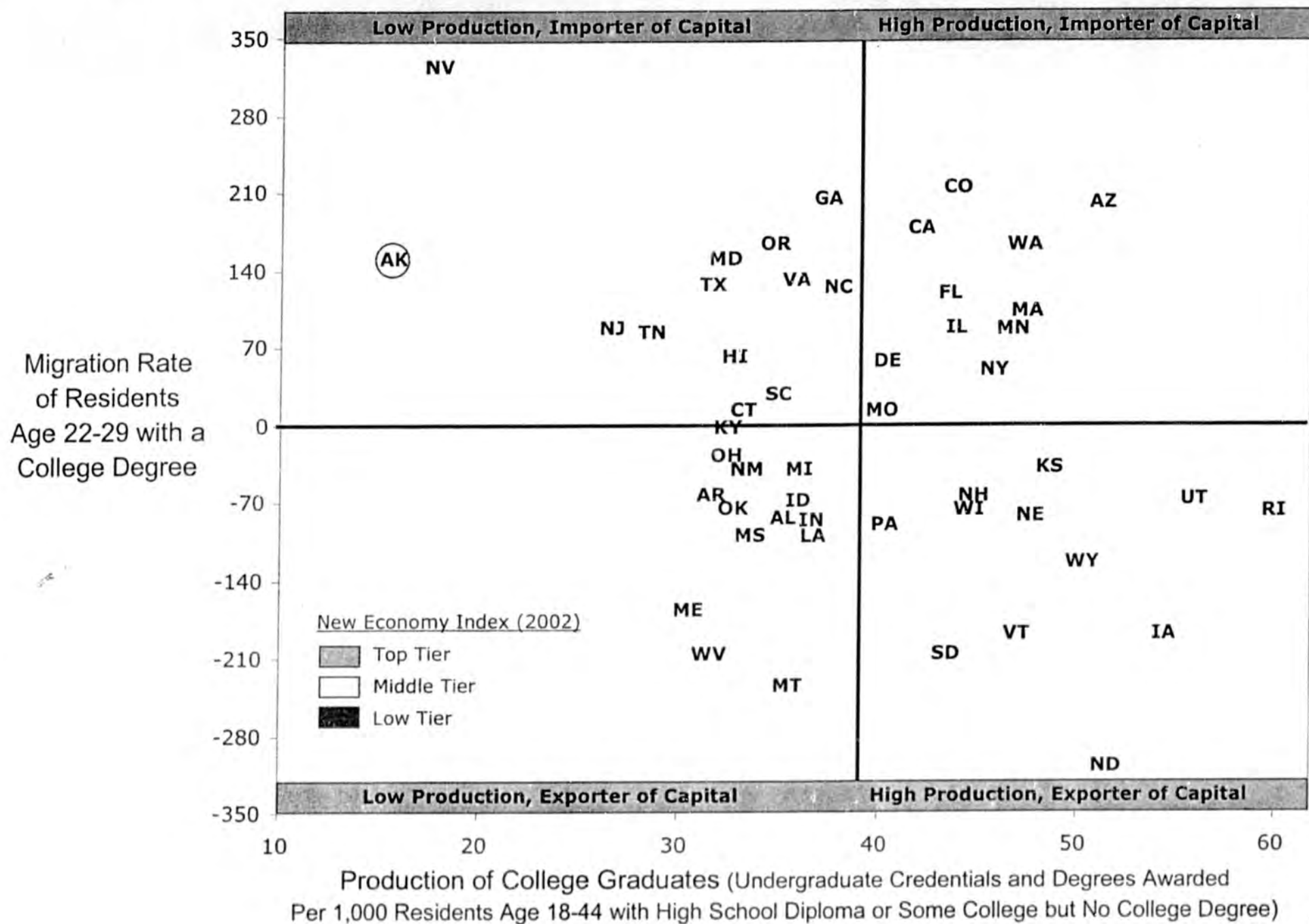
Source: NCES-IPEDS Completions Survey, WICHE

Bachelor's Degrees Awarded per 100 High School Graduates Six Years Earlier, 2003

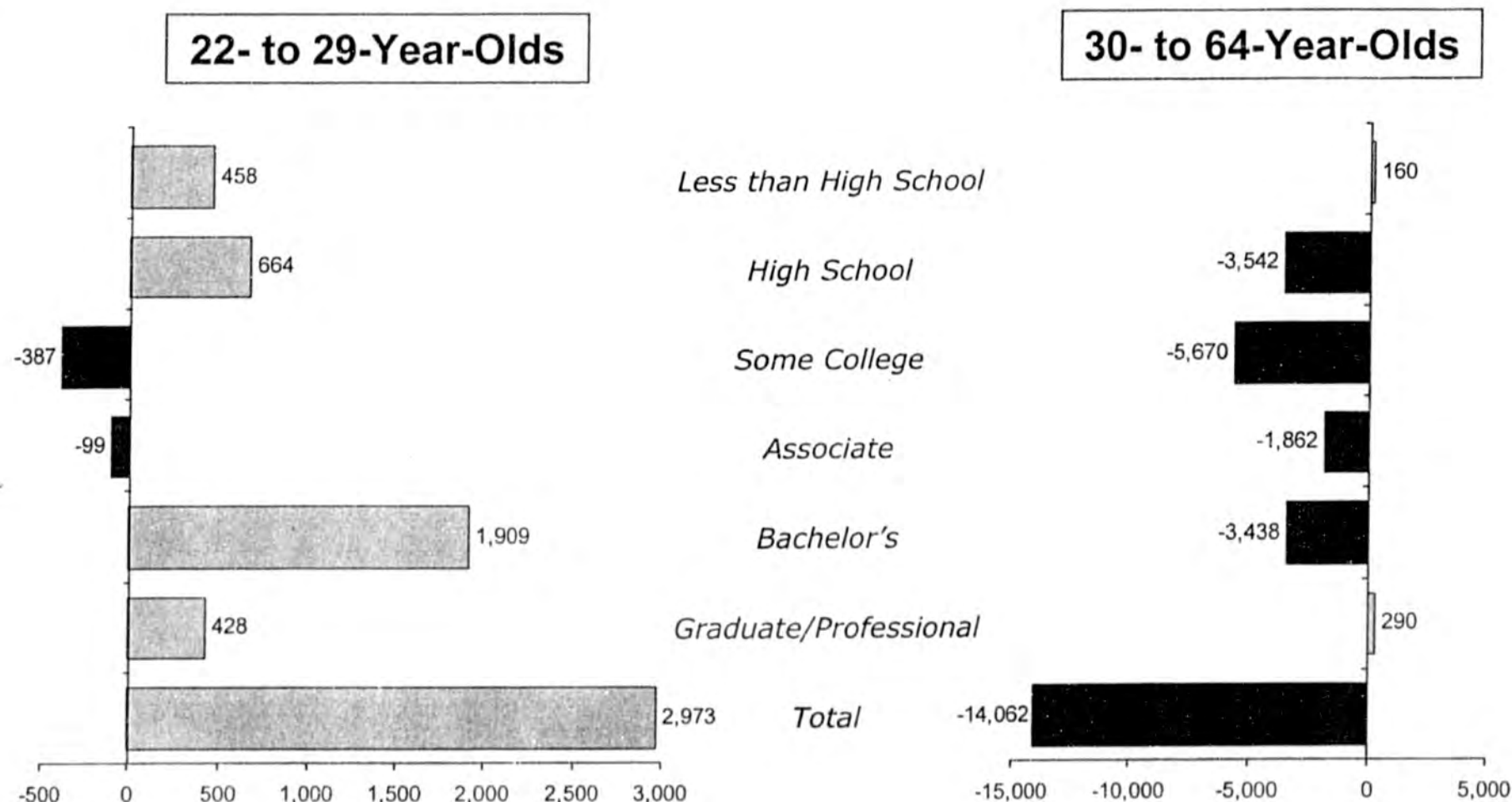


Source: NCES-IPEDS Completions Survey, WICHE

States' Ability to Produce Graduates vs. Ability to Keep and Attract Graduates

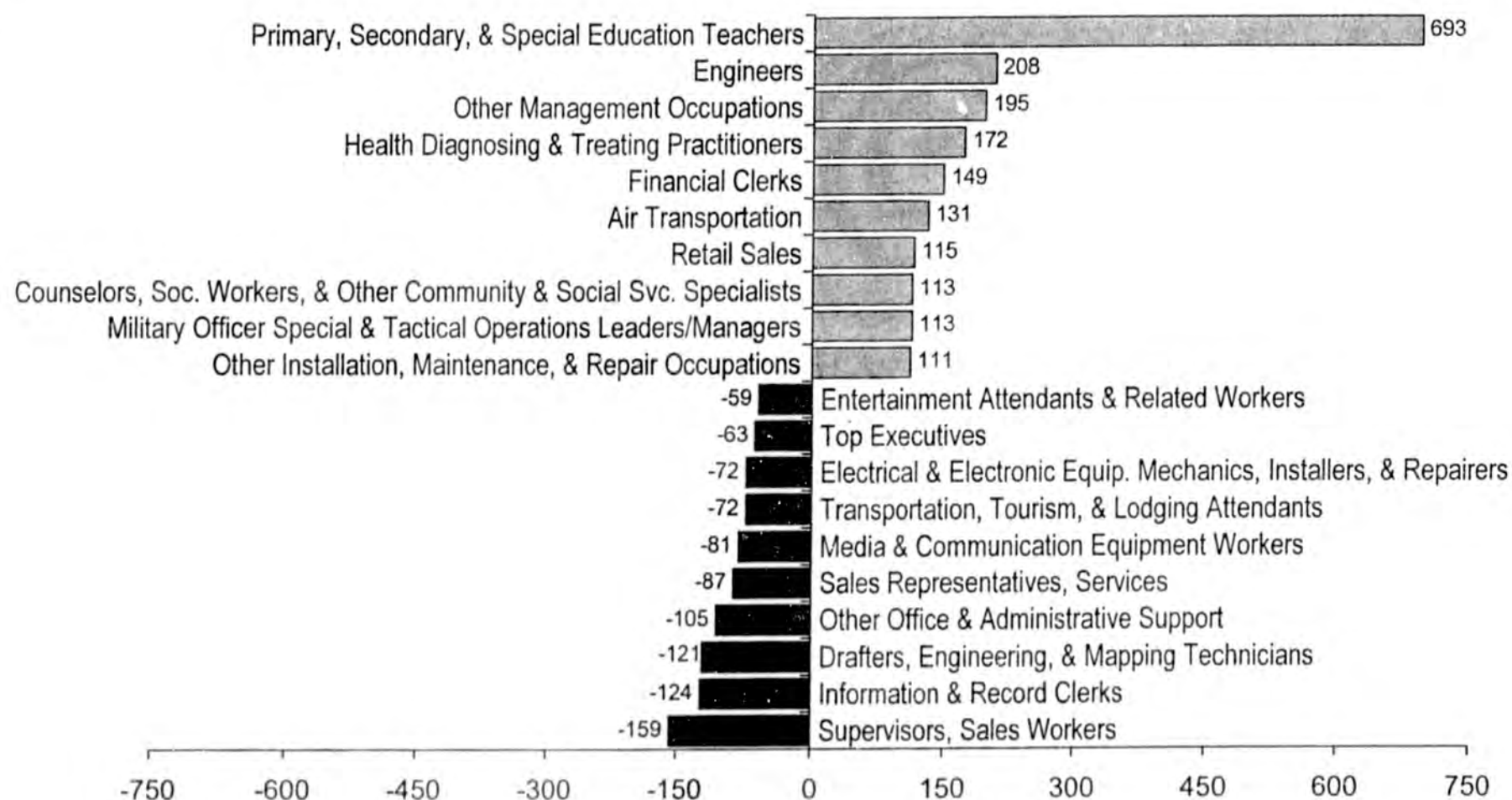


Net Migration by Degree Level and Age Group— Alaska



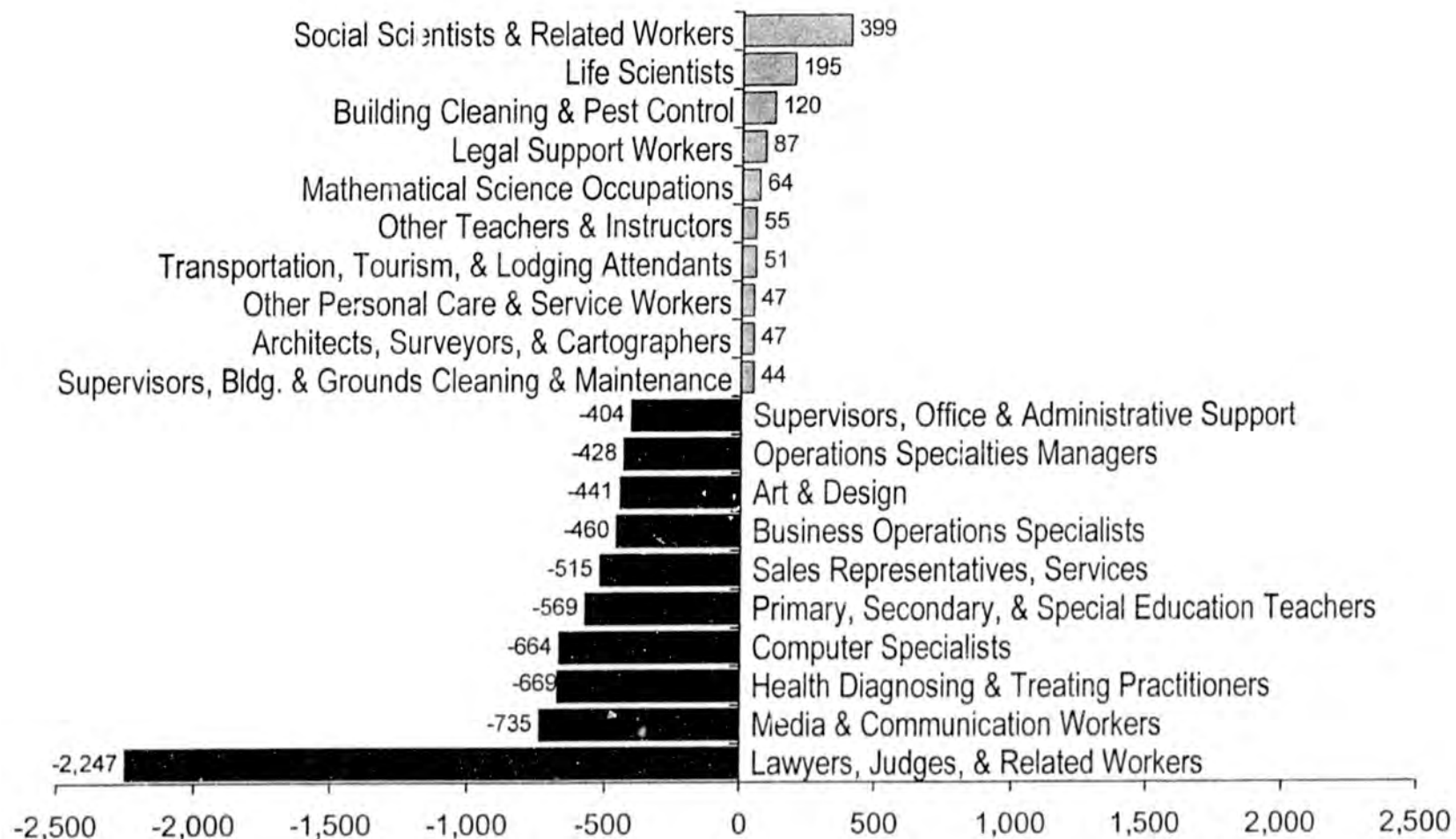
Source: U.S. Census Bureau, 2000 Census; 5% Public Use Microdata Sample (PUMS) Files

Alaska Occupations with High Net Imports and Exports, 1995-2000—Residents Age 22-29 with College Degrees



Source: U.S. Census Bureau, 2000 Census; 5% Public Use Microdata Sample (PUMS) Files

Alaska Occupations with High Net Imports and Exports, 1995-2000—Residents Age 30-64 with College Degrees

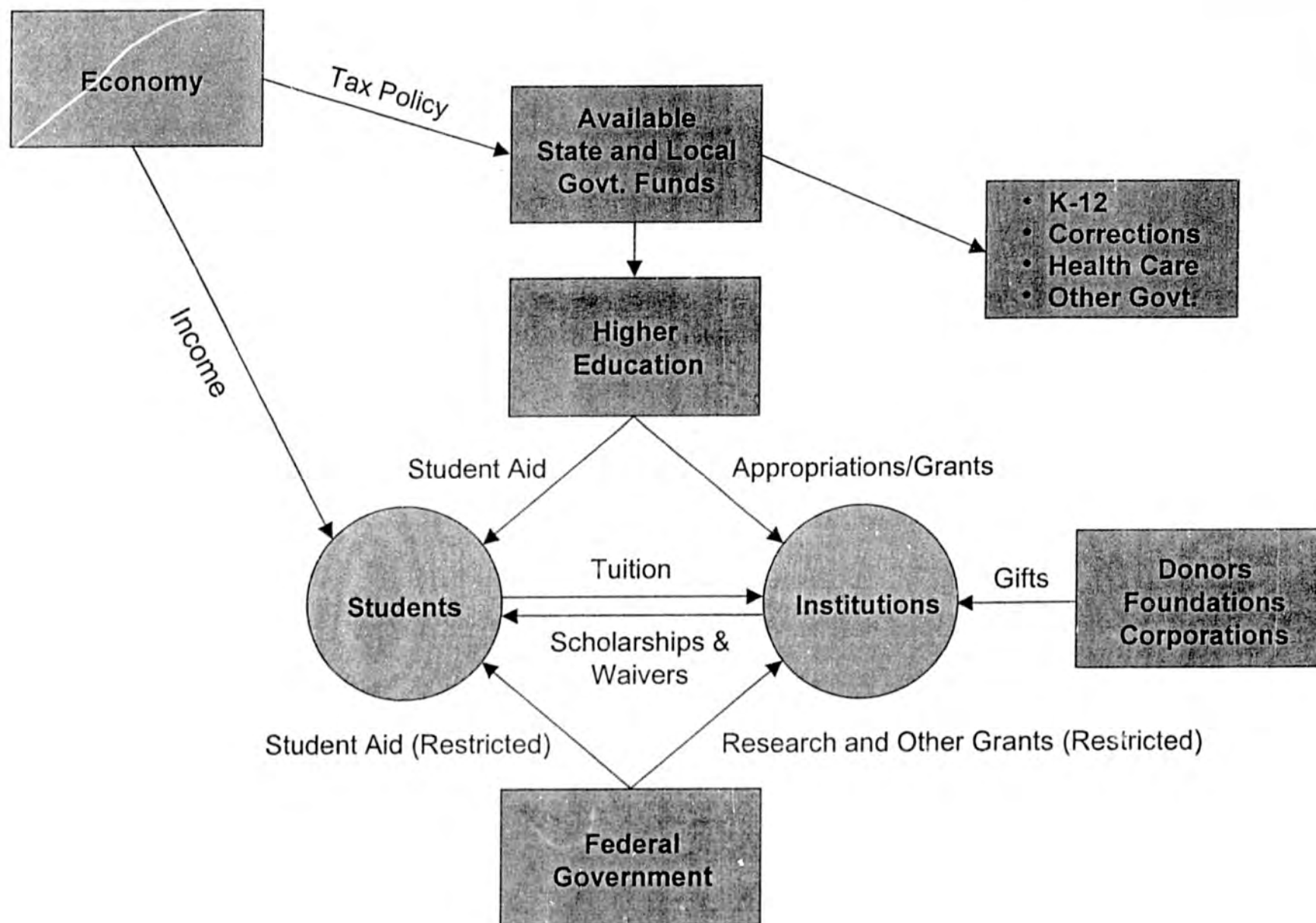


Source: U.S. Census Bureau, 2000 Census; 5% Public Use Microdata Sample (PUMS) Files

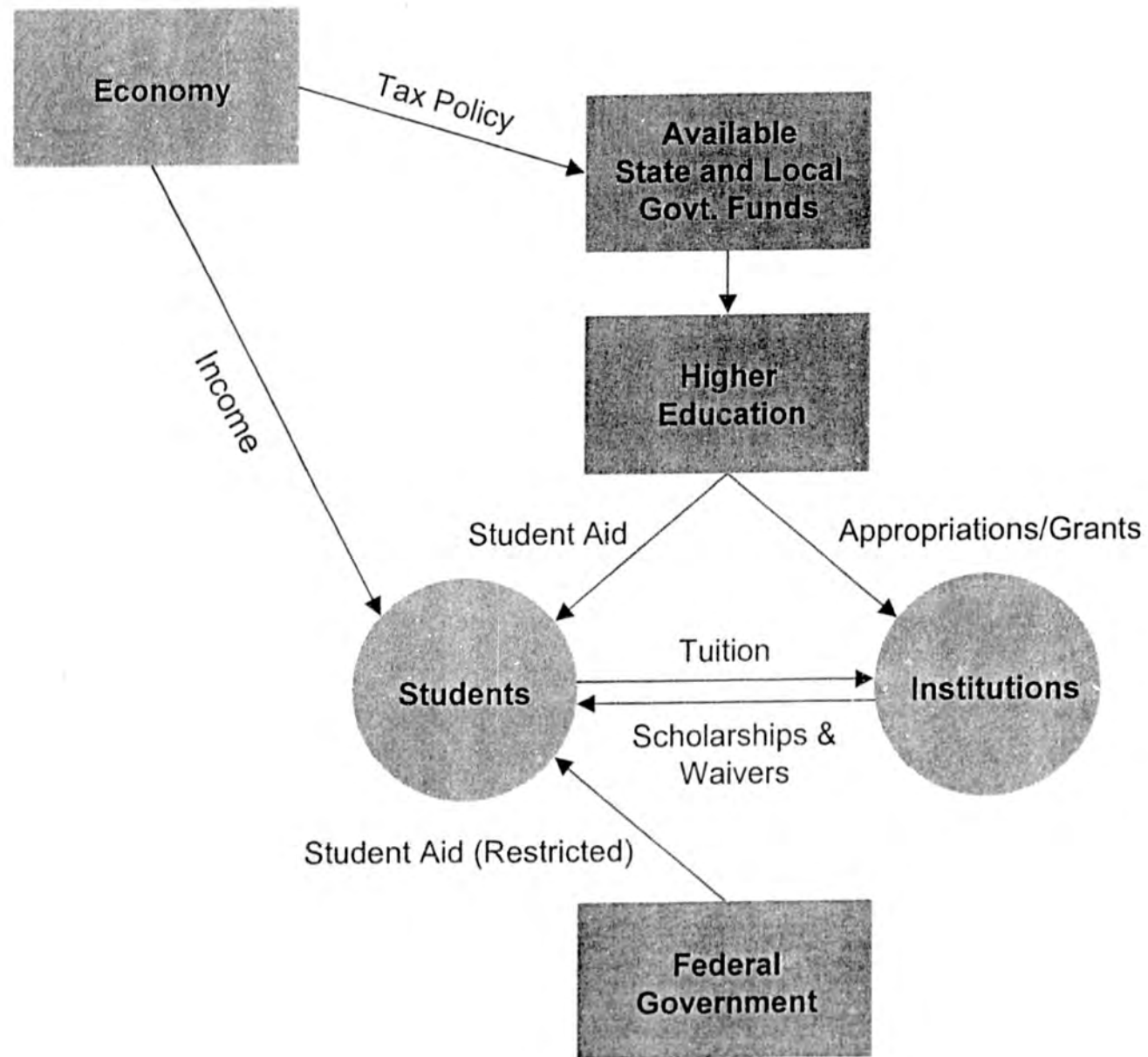


Linking Funding to State Priorities

The Flow of Funds



The Flow of Funds



Basic Questions at State Level

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

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
- Contain 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	■ 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 ■ Need-Based ■ Merit-Based

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

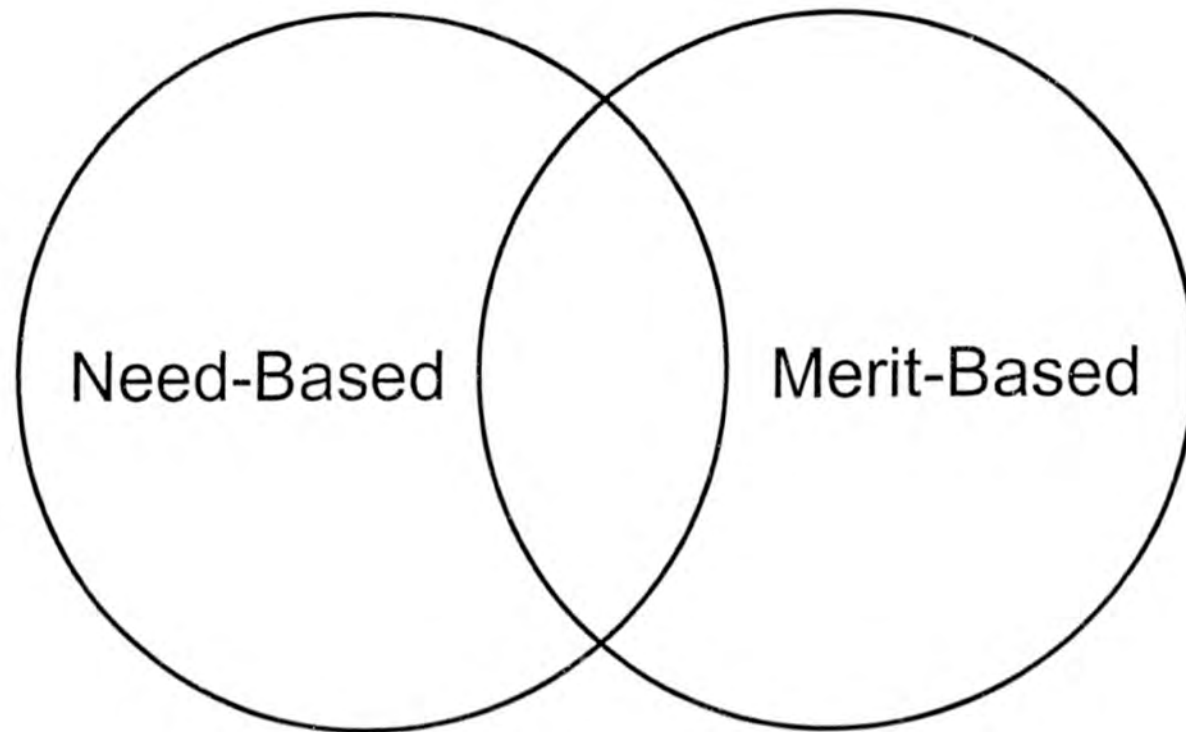
Funding Institutions—Capacity Utilization

- Performance Funding

Funding Students—Capacity Utilization

- Need-Based Aid
- Merit-Based Aid

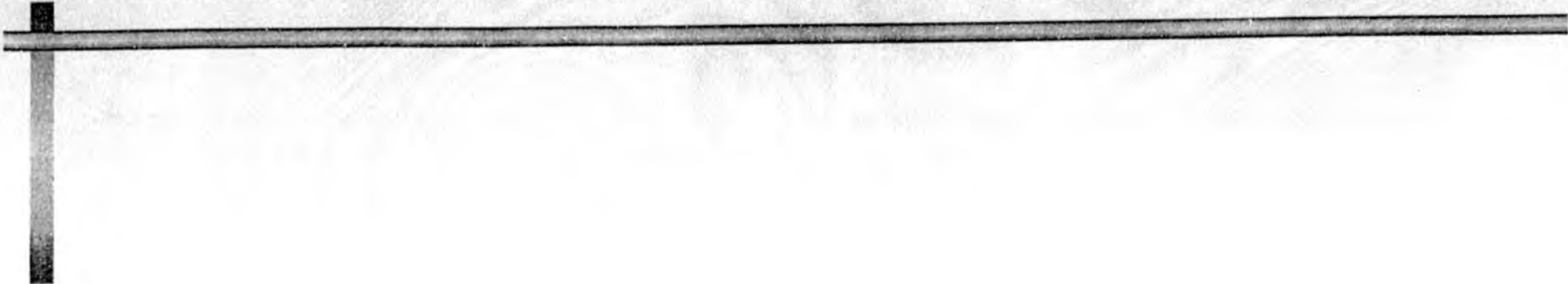
*Relationships Between “Need-Based” and
“Merit-Based” Aid*



Conclusions

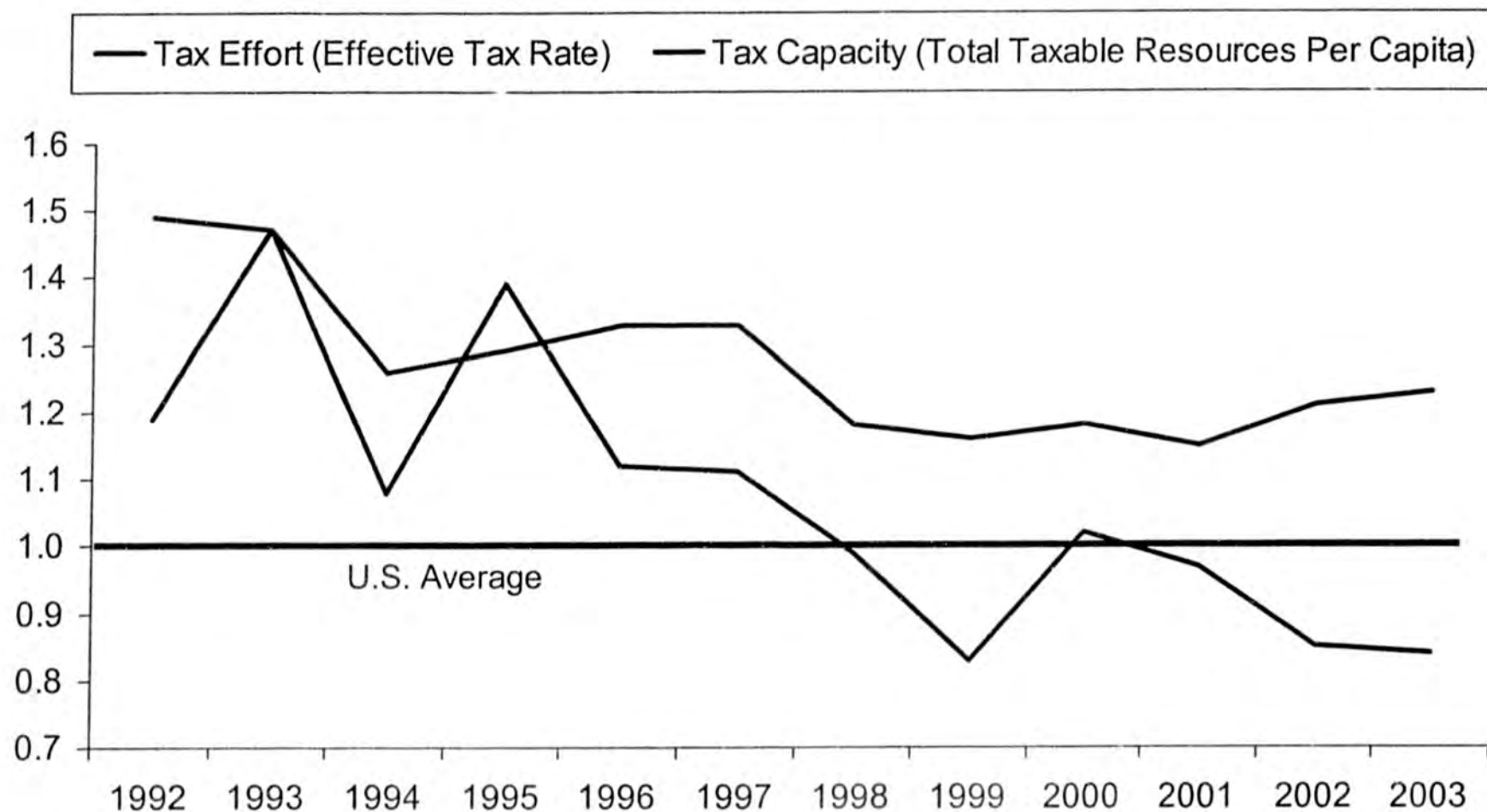
Cost-Effective Policy Requires:

- 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



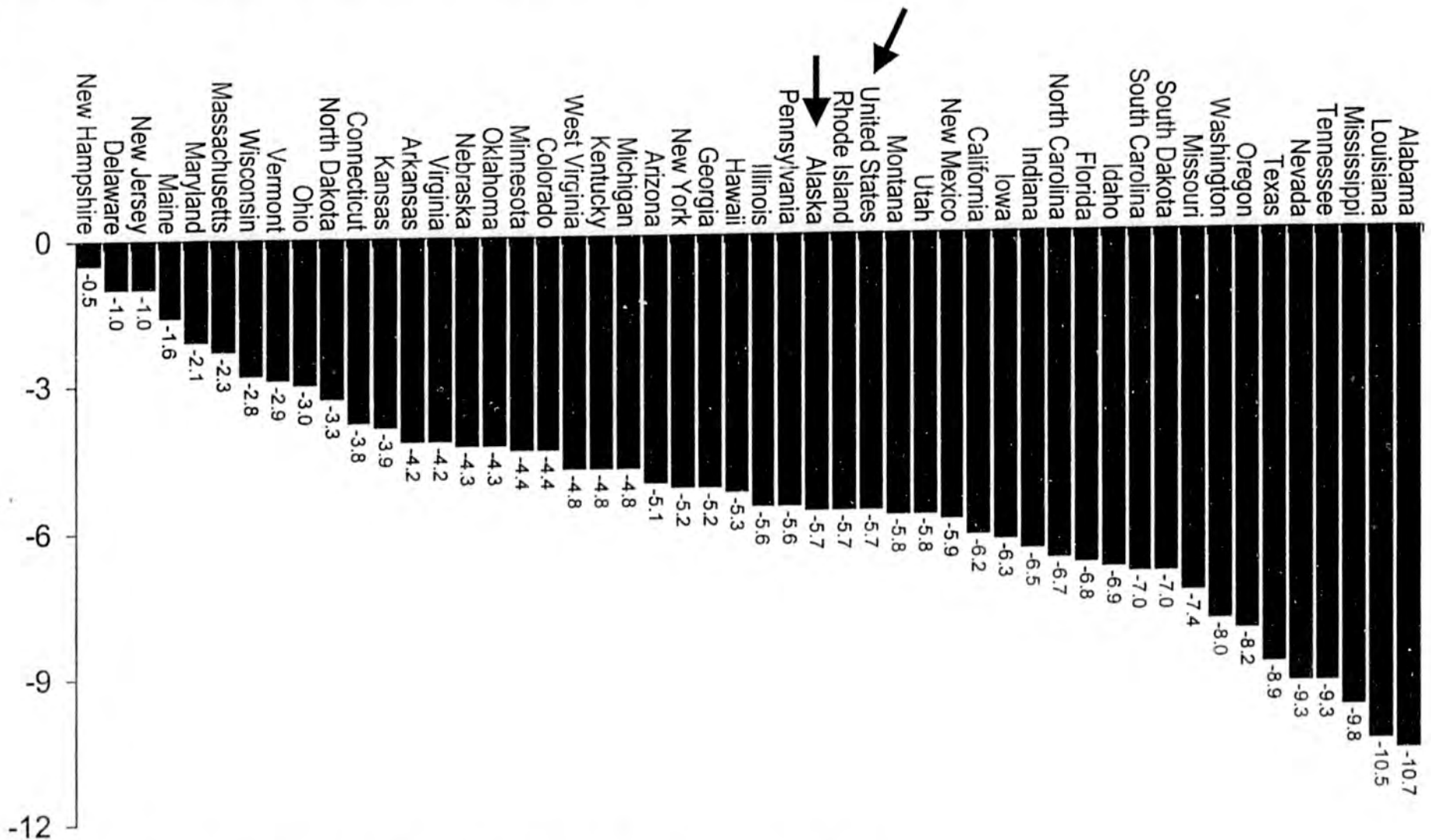
The Financial Environment for Higher Education

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



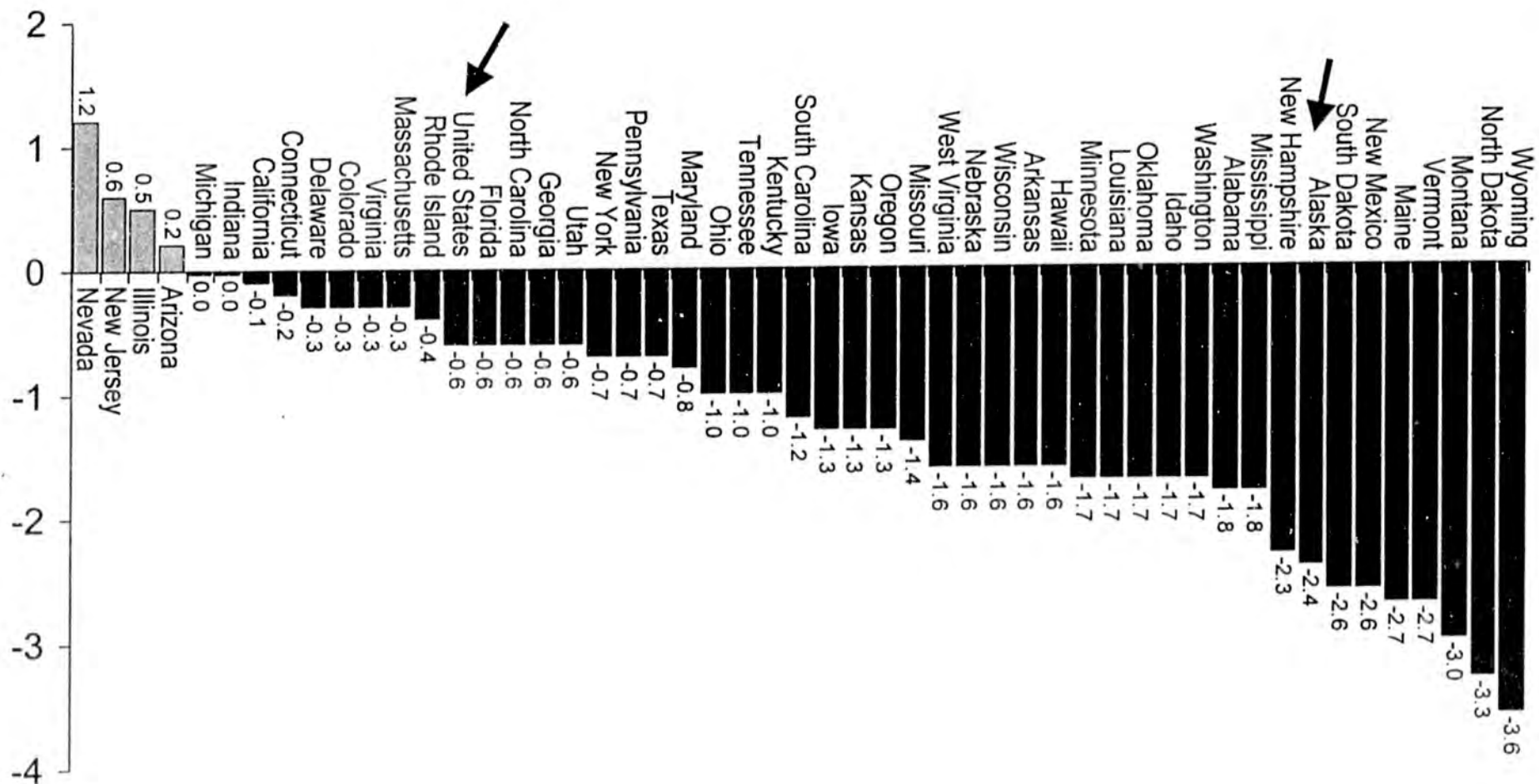
Source: State Higher Education Executive Officers (SHEEO)

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



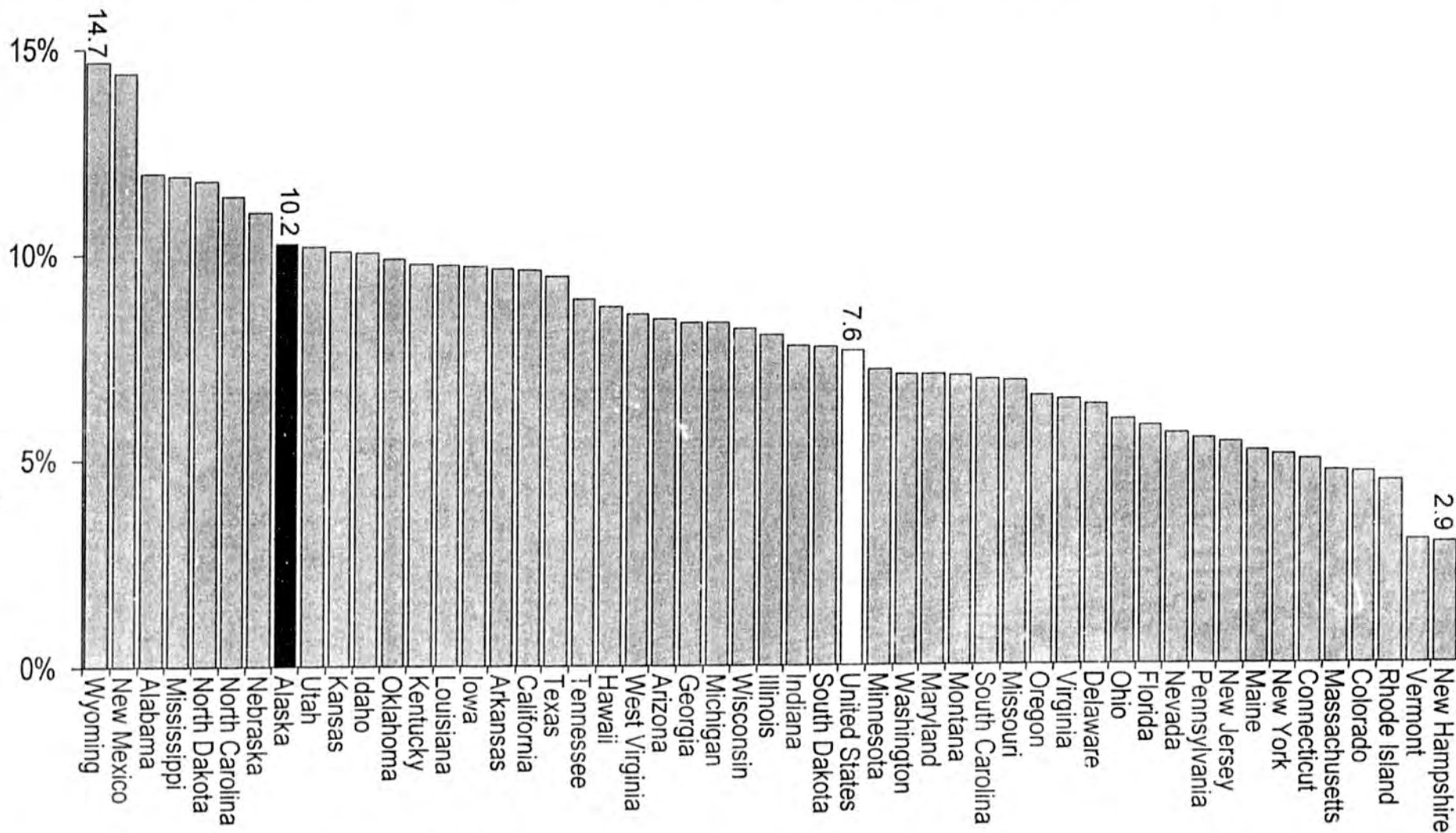
Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2005

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



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

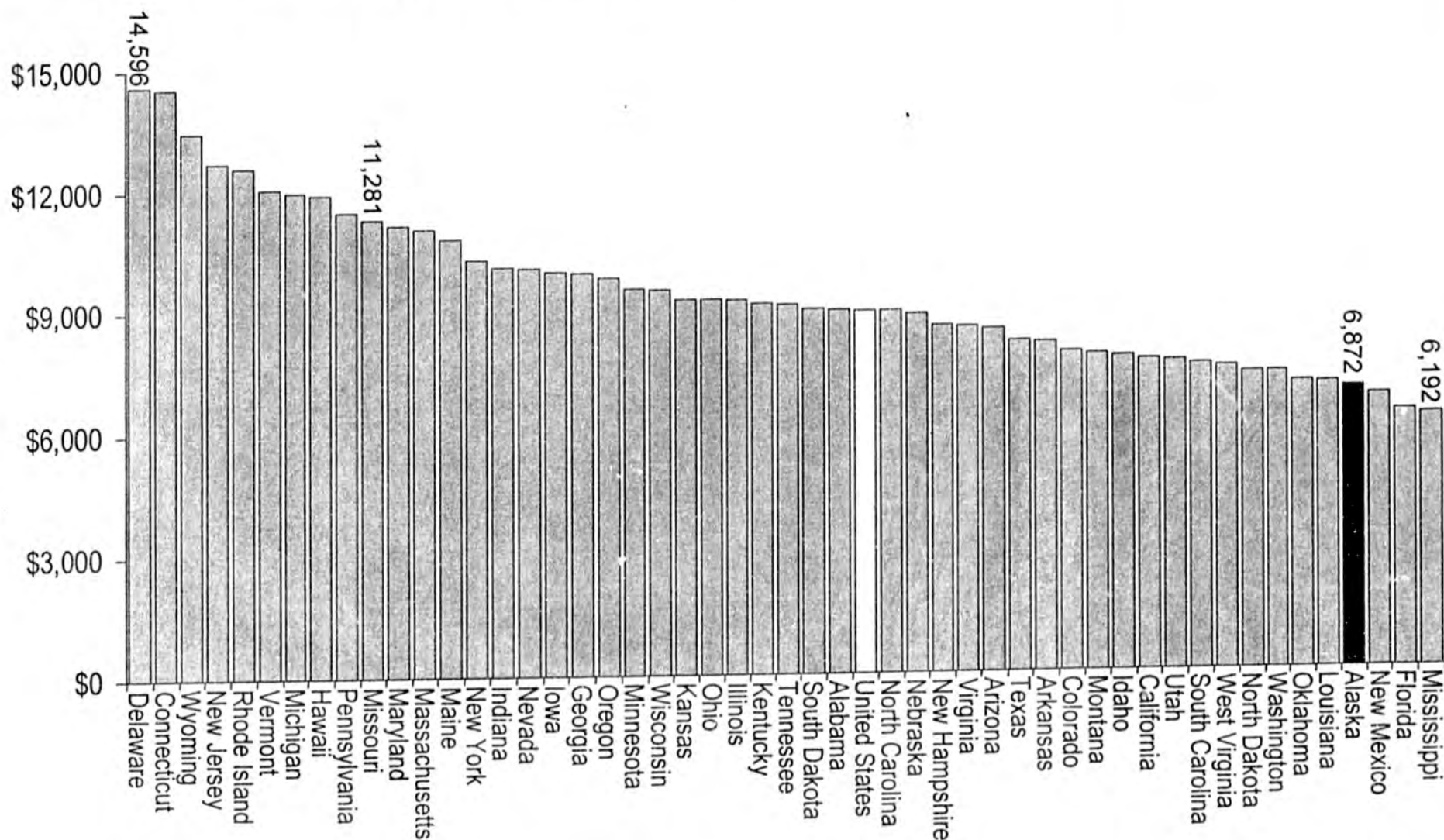
State Higher Education Priority—Higher Education Appropriations as a Percent of Tax Revenues, 2002-03



*Includes Appropriations to Independent Institutions

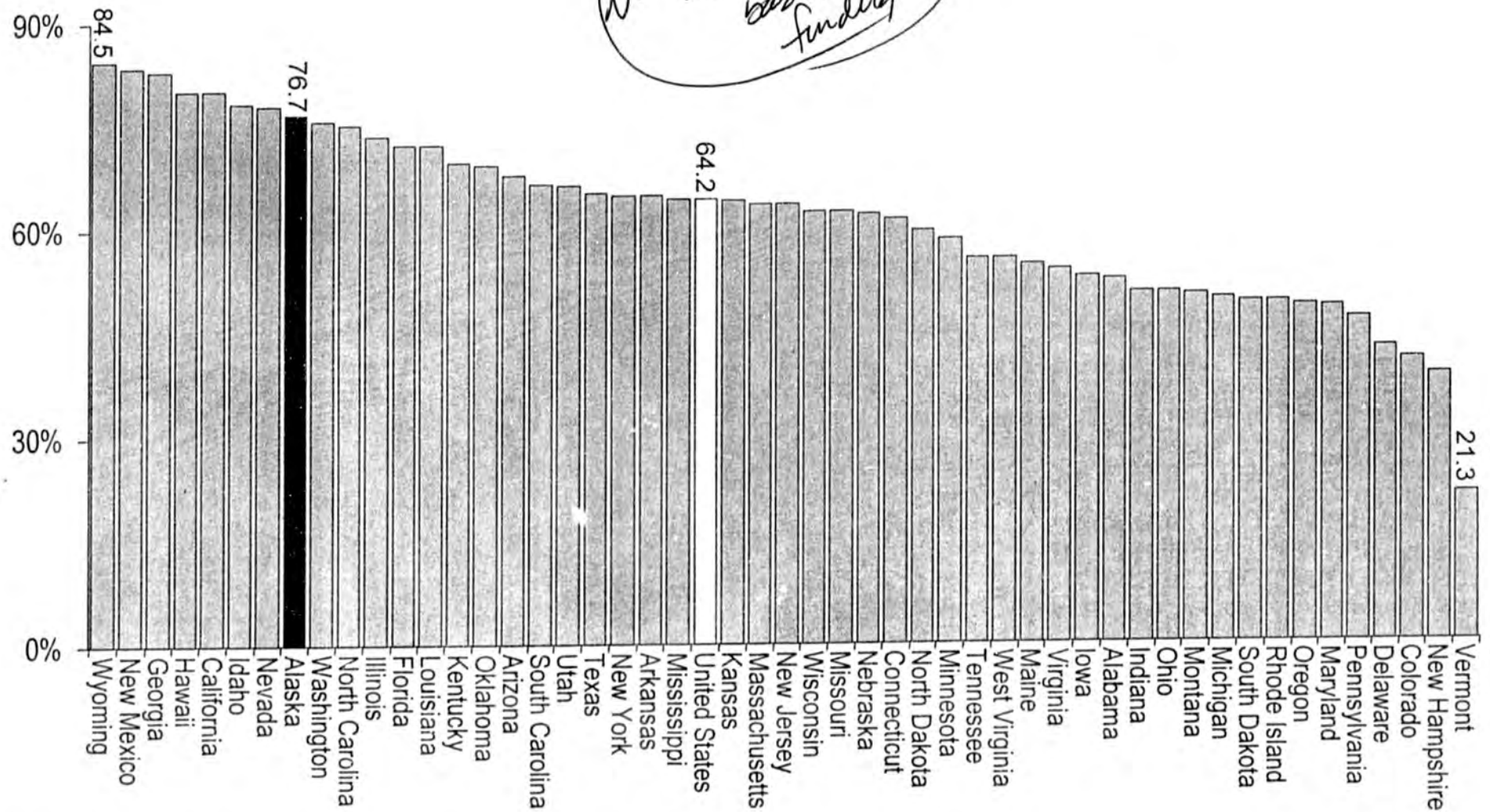
Source: State Higher Education Executive Officers (SHEEO)

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)

MEASURING UP

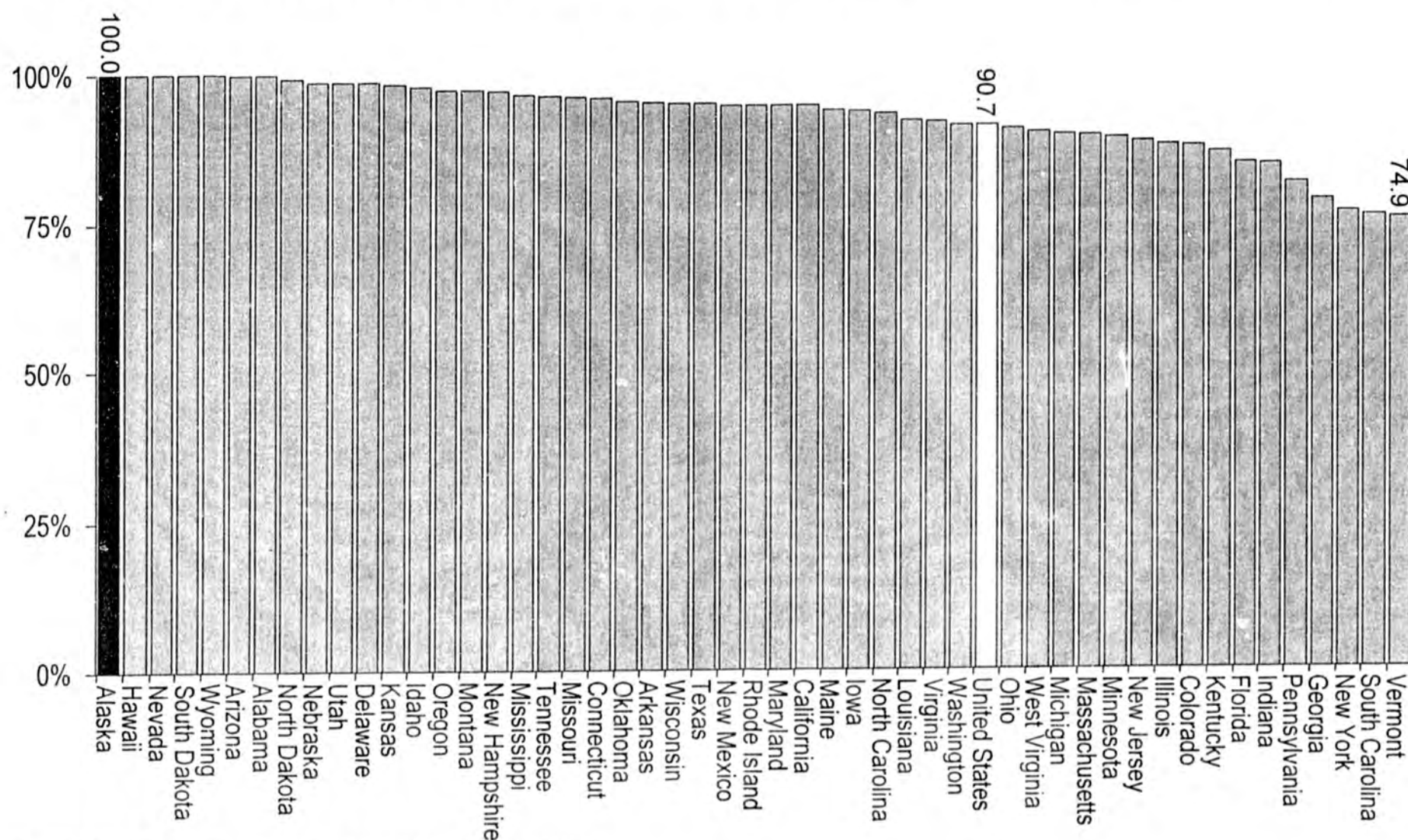
2004

**THE STATE REPORT CARD
ON HIGHER EDUCATION**

AFFORDABILITY	ALASKA		Top States A Decade Ago
	A Decade Ago	2004	
Family Ability to Pay (50%)			
Percent of income (average of all income groups) needed to pay for college expenses minus financial aid:			
at community colleges	17%	20%	15%
at public 4-year colleges/universities	17%	21%	16%
at private 4-year colleges/universities	34%	41%	32%
Strategies for Affordability (40%)			
State investment in need-based financial aid as compared to the federal investment	5%	0%	89%
At lowest-priced colleges, the share of income that the poorest families need to pay for tuition	10%	12%	7%
Reliance on Loans (10%)			
Average loan amount that undergraduate students borrow each year	\$3,101	\$3,277	\$2,619

Note: In the affordability category, the lower the figures the better the performance for all indicators except for "State investment in need-based financial aid."

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

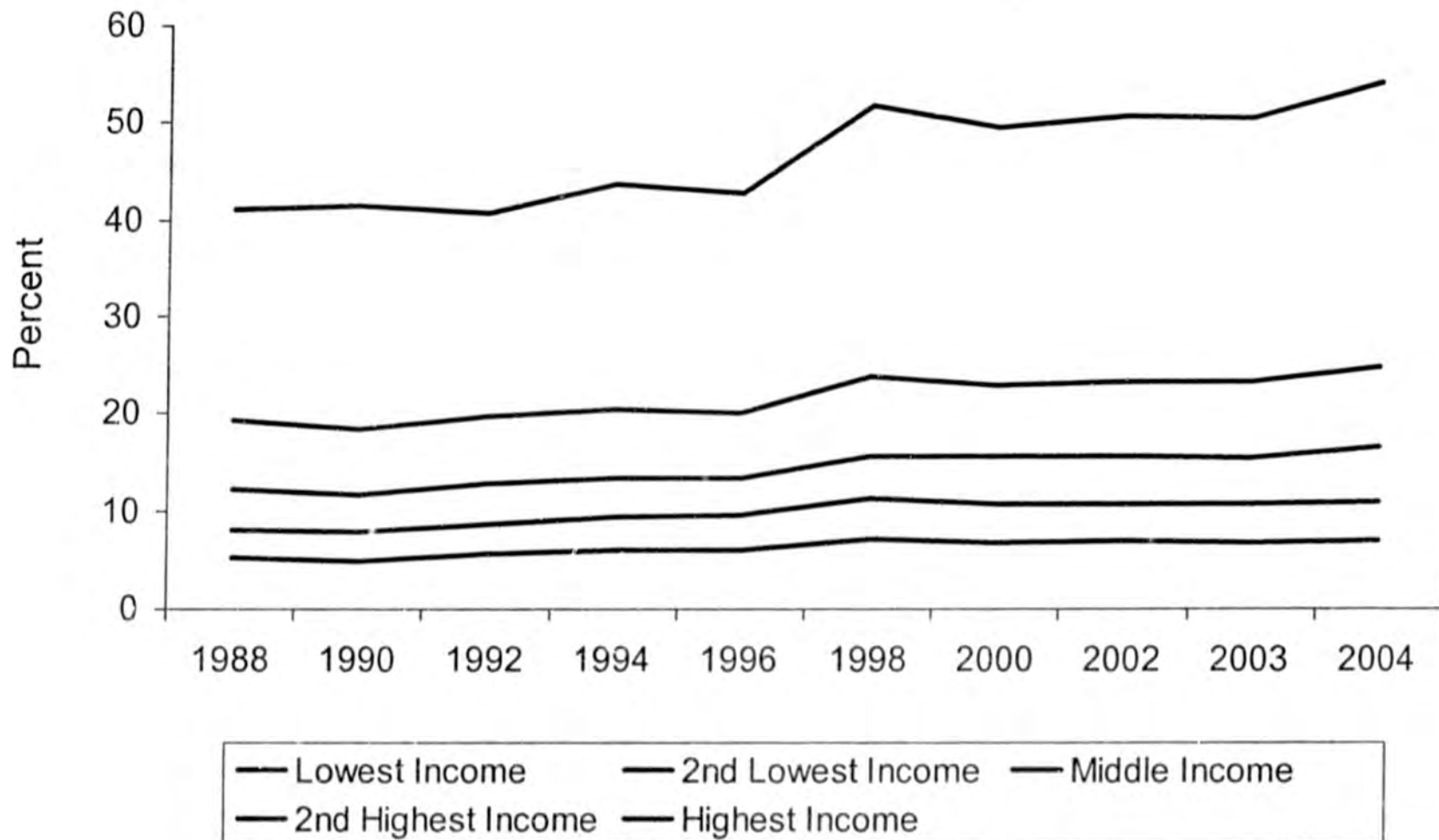


*Includes Appropriations to Independent Institutions

Source: State Higher Education Executive Officers (SHEEO), NCHEMS Student Financial Aid Survey

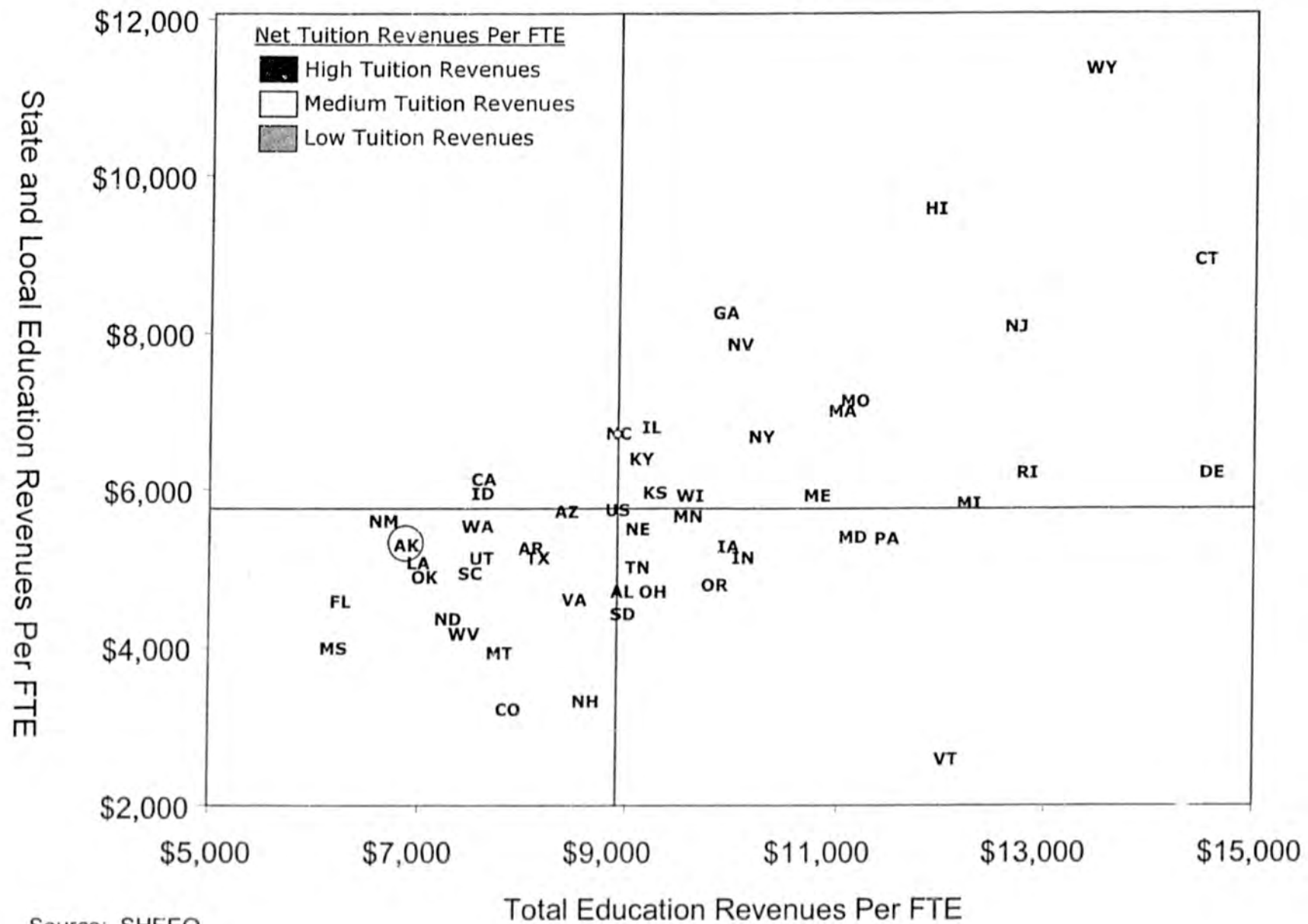
Net College Costs as a Percent of Income—Alaska

4-Year Public



Source: National Center for Public Policy and Higher Education

A Picture of State Higher Education Funding



Source: SHEEO