Governor Ritter & Colorado Department of Higher Education:
Colorado Higher Education Summit

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CHANGING DIRECTION
Integrating Higher Education Finance Policies – Approps, Tuition, & Financial Aid – *Policies In Sync*

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Colorado Style
Financing higher ed – why before how

State’s goals

For students
- Opportunity for all who are able
- A productive workforce
- A high quality of life

For institutions
- An economic engine
- Public service institutions dedicated to promoting the public good

Achieved cost effectively & Explicitly in Colorado

“...it is critical that the rate of postsecondary participation by low-income Coloradans, males and minorities, who are currently under-represented, be increased at every Colorado state institution...” (SB 04189)
Financing higher ed ... HOW!

The flow of funds

- Economy
  - Tax revenues

- State and Local Government
  - Appropriations/grants
  - Student aid
  - Student aid (restricted)
  - Research & other grants (restricted)

- Federal Government

- Institutions
  - Tuition
  - Scholarships & waivers
  - Gifts

- Donors Foundations Corporations

Source: NCHEMS
Financing higher ed ... HOW!

The flow of funds

- Economy
- State and Local Government
- Institutions
- Donors

Student aid
Appropriations/grants
Tuition
Gifts

- Students
- Federal Government

Source: NCHEMS
Financing higher ed ... HOW!

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  - Foundations
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Source: NCHEMS
Financing higher ed ... HOW!

The flow of funds

Economy

Tax revenues

State and Local Government

Student aid

Appropriations/grants

Institutions

Tuition

Scholarships & waivers

Student aid (restricted)

Research & other grants (restricted)

Donors

Foundations

Corporations

Students

Federal Government

Institutions

Source: NCHEMS
What makes good finance policy

- Resource allocations reinforce the State’s priorities
- Resource allocations make higher ed affordable
  - To students, and
  - To state
- Resources sustain (and may even enhance) institutional capacity
- Resource allocations are fair
  - Shared contributions reflect shared benefit
- Resource policies are transparent
  - Legislators and Governor understand them
  - Citizens understand them
  - Providing institutions understand them
- So, how does Colorado stack up?
Good finance policy: Allocations make higher education affordable

- A mixed bag on student affordability
- Tuition – A Pretty Good Deal in Colorado
  - *Above Average* Family Income (median for family of 4, 2005)
    - U.S. Average: $62,732
    - Colorado: $68,089
      - (108.5% of national average)
      - (9th rank nationally)
  - *Below Average* tuition by sector as a share of peer institutions (CCHE/NCHEMS Study)
    - Community Colleges: 80%
    - Four-year Institutions: 64%
    - Research Universities: 86%
Good finance policy: Allocations make higher education affordable

- A mixed bag on student affordability
  - Addressing Income Inequality—A Manageable Task
    - Colorado: 15th highest in income disparity between lowest quintile and middle quintile
    - But not so bad in absolute terms.
      - 7th highest income for lowest quintile ($14,000)
      - 10th for second lowest quintile ($32,388)
      - 11th for middle quintile ($52,000)
  - The Big Issue (Jones): Regional disparities in wealth (or lack thereof)
  - Below Average on student financial assistance (NASSGAP)
    - Estimated need-based U.G. grant dollars/U.G. FTE
      - U.S.: $446
      - WICHE: $386
      - Colorado: $274
      - Colorado rank: 26th
Good finance policy: Allocations make higher education affordable

- Very affordable for the State
<table>
<thead>
<tr>
<th>State</th>
<th>Support per $1,000 of Personal Income</th>
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<tbody>
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Source: State Higher Education Executive Officers (SHEEO)
Funding is inadequate to sustain, let alone enhance institutional quality or accessibility

Combined Appropriation, Tuition and Fee Revenue Compared to Peer Institutions (CDHE & NCHEMS)
- Community Colleges: 69%
- Four-year Institutions: 58%
- Research Universities: 64%

Additional amount necessary from All Sources to achieve parity with peers: $843 million (in 2007 dollars).

Progress in this last legislative session (FY 2008):
- $44 million increase in appropriation for operating expenses
- $60 million increase in tuition & fees revenue
- $30 million increase in capital
- Good, but . . .
Performance Relative to Total Funding per FTE – Overall Index Scores for State Higher Education Systems (NCHEMS)
Good finance policy: Fair Allocations

- The Balance Between Institutional and Student Support.
  - Both roughly equally under-funded
    - Need-based financial aid at *a little more than half* the norm
    - Institutional support at about *a little more than half* the norm
  - Fairness between institutions
    - Mighty difficult to achieve perceived “fairness” with this level of deprivation.
      - Is the measure average deprivation or absolute level of support?
Good finance policy: transparency to relevant stakeholders

- Transparency to Legislators and Governor
  - The categories are well understood
  - How additional resources relate to achieving state goals is not clear.
    - Fee For Service could be incentive based
    - But today just “rounds out the formula”
    - More “hold harmless” than “incentivize change”
Good finance policy: transparency to relevant stakeholders

- Transparency to citizens
  - COF not yet achieving goal of encouraging greater participation
  - Still confusion between gross and net price
  - Fee for Service focused more on institutions’ needs than on state’s needs
Good finance policy: transparency to relevant stakeholders

- Transparency to institutions
  - Institutions at risk because COF payments are not predictable
  - Fee for Service is perhaps all too predictable – following past practice, rather than state’s emerging needs
  - The *C-Change’s* temporary condition places funding sustainability at risk
Good finance policy – resource allocations reinforce the State’s priorities

- Dependent upon both the *level* of resources and the *allocation* of resources
- Colorado suffers on both
  - *Level* is simply insufficient to sustain a strong higher education system
    - May not even be viable *after the C-Change*
  - *Allocation* fails to consider all sources of funds – Appropriations, Tuition, and Financial Aid (ATFA) in a cogent, philosophically sound set of policies
- *Formula Fixation:* Funding formulas don’t generate funds; they only allocate them
- Good policy, however, requires tackling both
- And doing so with an ATFA attitude.
- You need *Policies In Sync*
What makes good finance policy

- Resource allocations reinforce state priorities, not ...  
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- Resource allocations make higher ed affordable  
  - To students, and  
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- Resource allocations are fair  
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Your Path To Chose: To sync or sink

- Incrementalism will spell disaster
  - System already at risk
  - Post C-Change, it will collapse without BIG CHANGE
  - Deprivation breeds conflict, which will degrade systems efficacy
  - Issue is more than catching up
    - Other states won’t wait for you
    - Colorado needs to ramp up participation
    - Equity issues are huge – workforce needs requires action
- This challenge requires sustained effort
  - Can’t be accomplished in one shot (or even in one term)
- But challenge is manageable with good planning and persistence.
  - Colorado can clearly afford this
  - But citizens and government will demand more for more