Finance & Governance of Higher Education in Louisiana

Comments on Tuition and Financial Aid Policy and Practice
Two Things To Keep In Mind

Tuition & Financial Aid Don’t Stand Alone

Past Practice
- Appropriations to assure institutional viability (quality)
- Tuition as a gap filler
- Financial Aid to assuage guilt
  - Reward scholarship & provide affordability

A better idea
- Appropriations, Tuition, & Financial Aid (ATFA) as integrated finance policy
- All contributing to quality and access
Two Things To Keep In Mind

Finance policy is a means to the end
people ultimately make the difference

Faculty in the classroom
Staff outside the classroom
And students doing their share
Good Policy Regarding Tuition

A Simple Story

Good Policy – Affordable tuition/Not low tuition

The Demand Side
- A reasonable price for the value received
- Affordable to the majority of students

The Supply Side
- Provides adequate resources
- Doesn’t incentivize price gauging
- Doesn’t leave money on the table
- Simple
Good Policy Regarding Tuition

How does Louisiana stack up

The Demand Side

- Good Policy: Reasonably priced for value received
- Louisiana: Underpriced for value received
- Good Policy: Affordable to the majority of students
- Louisiana: More than affordable to majority; out of sync on financial aid – not affordable to many
Good Policy Regarding Tuition

How does Louisiana stack up

The Supply Side

- Good Policy: Provides adequate resources
- Louisiana: System under resourced to provide maximum quality; particularly access institutions
- Doesn’t incentivize price gauging
- Louisiana: Incentive for some institutions to gauge if possible;
  - So legislature maintains control of the price
- Doesn’t leave money on the table
- Louisiana: leaves tuition tax credit dollars unclaimed (unclaimable)

Bottom Line: Not a pretty story
Good Policy Regarding Financial Aid

- It depends
It depends—What Are Your Goals
  - Broad access
  - Reward Scholarship
  - Enhance the Louisiana Workforce
All legitimate public purposes
The Challenge for Louisiana
  - Finding balance to best suit La. Needs
    - You want it all
    - But can’t afford it
  - Finding approaches that really work well to achieve intended purpose
Financial Aid To Serve Broad Access

The Old Fashioned Way: Low tuition

Dilemma: Didn’t do the job

Why:
- Demand side: doesn’t make affordable – non-tuition costs
- Supply side: starves institutions of needed resources for access students
  - No incentive to enroll these students
  - Insufficient resources if they do
The Great Society Idea, Extending to today—Need-based Aid

- The Idea: Aid will enable; opportunity will generate equality
- Dilemma:
  - Assured access
  - Not success
  - Issues of sustainability and predictability
Financial Aid to Reward Scholarship – Merit Aid

Merit Aid -- Multiple Purposes
- Reward exceptional performance
- Enhance student success
  - Through high school preparation
  - Through college achievement
- Retain the best and brightest
  - In Louisiana Universities
  - In Louisiana’s workforce and society

Two General “State Policy” Approaches
- States take care of need; institutions take care of merit
- States focus on merit – TOPS, HOPE, Millennium
Two General “State Policy” Approaches

- States take care of need; institutions take care of merit
  - Advantage: Institutions can tailor to meet mission
  - Dilemmas:
    - Greatly advantages better resourced institutions
    - Buys privilege, not access
    - Often seen as Robin Hood in reverse
  - As result: Institutions often prefer scholar services or acknowledgements
Financial Aid to Reward Scholarship – Merit Aid

Two General “State Policy” Approaches

States focus on merit – TOPS, HOPE, Millennium

Advantages

Rewards exceptional behavior,
Financial Aid to Reward Scholarship – Merit Aid

Two General “State Policy” Approaches

- States focus on merit – TOPS, HOPE, Millennium
  - Advantages
    - Rewards exceptional behavior, *sort of*
    - Attracts more of “the best and the brightest”
Financial Aid to Reward Scholarship – Merit Aid

Two General “State Policy” Approaches

States focus on merit – TOPS, HOPE, Millennium

Advantages

Rewards exceptional behavior, *sort of*
Attracts more of “the best and the brightest,” *at least to attend*
Supports the ethic of college attendance
Popular with the people

Dilemmas

Very costly, if indexed to tuition/If not targeted
Effective, but not cost-effective
Potential for price gauging (Georgia) or price fixing (Louisiana)
Skips over the most needy & Adult students
Financial Aid to Enhance Louisiana’s Workforce

Two General “State Policy” Approaches

Loan Forgiveness: A Common Sense Approach

Only problems:
- Doesn’t work -- doesn’t hold participants
- Costly to administer
- Only affects those who borrow – Is that the message to send?

Work study
- Integrated work & learning enhances success
- The real winner – cooperative work study
Contemporary Thinking on State Financial Aid – (According to Me)

- Blend the Best of Broad Access, Merit, and Workforce Programs
- To What End
  - Affordability
    - To Students
Blend the Best of Broad Access, Merit, and Workforce Programs

To What End

Affordability
- To Students & To The State

Promoting Student Access & Success

Sending the right incentives
- To Students
- To Institutions
  - Leaders
  - Faculty & Others
Contemporary Thinking on State Financial Aid – (According to Me)

Exemplar Blended Programs
  (From which to learn; not to emulate)

Oklahoma Promise – Combination of Need and Merit
  Eighth, Ninth, Tenth Graders
  Tuition Free
  Income threshold $50,000
  High school accomplishment – focus on courses, OK grades, and staying out of trouble
Contemporary Thinking on State Financial Aid – (According to Me)

Exemplar Blended Programs
(From which to learn; not to emulate)

Oregon/Minnesota: Shared Responsibility

Explicit Partners:
- Students as the principal beneficiaries
- Parents meeting family responsibilities
- Private philanthropy – to reward students
- The Federal Government – taking full advantage
- State Government – to fill the “reasonable” gap
- Institutions – to fill any “unreasonable” gap
**Shared responsibility partners**

**Student share as principal beneficiary**
- 50%
- from work, savings, scholarships, and/or borrowing

**Parents share**
- determined using federal methodology

**Federal share**
- includes Pell & tax credit/deduction

**Oregon share**
- filling the gap

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**Public 2-yr**
- State
- Federal
- Parents
- Student

**Medium Price Public 4-yr**
- State
- Federal
- Parents
- Student

**Higher Price Univ**
- State
- Federal
- Parents
- Student
Some ideas for Louisiana

- Prioritize your goals
  - You want it all
  - You can’t afford it all
  - Decide what you need the most
  - Build off the Rozeman principles

- Get brave
  - Change comes hard
  - Speak truth to power
  - But don’t be foolish – remember Louisiana’s culture and traditions
Some ideas for Louisiana

- Build a philosophical basis around your goals
  - Borrow from others where it makes sense
  - But choose a viable path for Louisiana; not someplace else

Make sure financial aid is in sync with tuition policy and appropriations; but not tied to them

Don’t leave all those federal dollars on the table
Some ideas for Louisiana

- Think of today and tomorrow
  - Is there a targeted rationing plan, if the plan is too ambitious
  - Will this plan provide a vision to work toward for the future
  - Don’t set precedents today that will prevent moving toward the vision of the future
- Focus on the students, not the institutions
- Do no harm