Minnesota Higher Education Workgroup Meeting

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How Good Is Minnesota Higher Education; How Did You Get to This Point and, Where Might You Be Headed
CONTEXT – Where You Have Been

- Minnesota circa 1980
  - Competitiveness
    - A mixed story
    - Coming off a significant high
      - Computer technology
      - Life sciences and medical instruments
      - Advances in agricultural production
  - Heading into a significant downturn
    - Movement from main frames and tape decks to smaller computers & disc drives (& smaller disc drives)
    - Food processing changing radically
    - Family farms in distress
CONTEXT – Where You Have Been

- Minnesota circa 1980
  - Demographics
    - Predominantly White
    - Beginning of minority immigration
      - From within U.S.
      - From elsewhere
    - Significant equity gaps in educational attainment
      - Addressed as a social imperative
      - Not as an economic imperative
CONTEXT – Where You Have Been

- Minnesota circa 1980
  - Financial Capacity
    - Average wealth
    - High tax effort
    - Higher Education – funding ranked 12th nationally in funding from appropriations and tuition revenues (I think).
  - All in all, pretty good, looking back
  - Not so much, looking forward.
CONTEXT – Where You Have Been

- Minnesota circa 1980
  - Productivity of the education sector
    - High ranking in testing
    - High ranking in graduation from high school
    - High ranking in share of students attending postsecondary education -- 75% within five years.
CONTEXT – Where You Have Been

- Minnesota Government & Higher Education circa 1980
  - Enlightened
    - Good public policy oriented
      - Good Government
      - Good Higher Education Leadership
      - Good Civic Engagement – the Citizens’ League
  - Endangered
    - Because of distressed Industries and farms
    - Government funding exceptional constrained
The Reformation of Higher Education Funding – 1983/84

The Dilemma:
- State Resources Couldn’t continue to support prior funding levels
- Funding was generally accepted as central to Minnesota’s past & future success

The Public Policy Environment:
- Government believed in government
  - Believed policy made a difference
  - Inclined to work together
- Citizens’ League very active in higher education
  - Attuned to recommendations of Carnegie Commission on Higher Education
The Reformation of Higher Education Funding – 1983/84

- The Public Policy Response
  - Realization that students & their families would have to pick up a larger share of the costs
  - Commitment to preserve financial access for all
  - Clear recognition of the value of independent higher education to the state
The Reformation of Higher Education Funding – 1983/84

The Plan: Integrating institutional & student aid funding

- Maintain aggregate state funding, not adjusted for inflation or enrollment growth, until economy returns
- Raise tuition 100% over three years (to percentages ranging from 25% to 40% of instructional costs)
- Invent a new student assistance model to focus on the student and her or his affordability
The Reformation of Higher Education Funding – 1983/84
- Inventing a New Model for Financial Aid

The Prior System:

- A traditional moderately supported grant program for students in public higher education
  - Rationale: More is better, but never enough
  - Stand alone, though roughly tied to tuition increases
- Comparatively substantial reliance on loans for the most needy students
- “Private College Contracts” supporting attendance of Minnesotans at Minnesota private colleges
The Reformation of Higher Education Funding – 1983/84
- Inventing a New Model for Financial Aid

The New Design for Shared Responsibility

- **Begins with the Cost of Attendance**, not just tuition
  - But a frugal cost of attendance
- **Recognizes a cost of choice**, but a belief that choice should still be affordable, allowing the student to select the education that best meets her or his needs.
  - Eliminated private college contracts to private institutions
  - Made students attending private institutions for generous grant aid
- Next, **explicitly identifies the partners**
  - Student – as the principle beneficiary
  - Parents – as the adult(s) most responsible for their children’s education
  - The Federal Government
  - The State of Minnesota
The Philosophical Expectation of Partners

- The Student -- originally 50% of costs
  - Why: Principal beneficiary
  - How: savings, scholarships, current earnings, future earning (borrowing)

- The Parents -- Before asking taxpayers to finance your child’s education, you have an obligation to contribute what you reasonable can.
  - Can range from zero for folks with no discretionary income to the entire remaining cost of attendance for those who can afford it
The Reformation of Higher Education Funding – 1983/84 - The Design for Shared Responsibility

- The Philosophical Expectation of Partners
  - After tapping out students and their parents
  - Take full advantage of the federal government support of students.
    - Factor into resources available the Pell Grant
    - Allow student to use work study as portion of student contribution
    - Provide student loans to eligible students, as needed
- The State’s Responsibility – fill in the gap
The Reformation of Higher Education Funding – 1983/84
- The Design for Shared Responsibility

- Refinements over the years
  - Minnesota Student Educational Loan Fund (Self-Loans)
    - To make loan access more universal and consistent with Shared Responsibility philosophy
  - Rationing through changes in contribution levels, etc.

- Perceptions from Outside Minnesota
  - Generally perceived as the best
  - Adopted by Two States
  - Coveted by many more (if only we could)
    - Can’t because of costs
    - Can’t because of sacred cows
  - Some can’t accept the level of expected student contribution
The Reformation of Higher Education Funding – 1983/84 – In Summary

- Designed to ensure adequate funding through appropriations and tuition revenues during a period of serious fiscal constraint
- Designed also to assure that all students could still afford to go to college, and that they could afford “the cost of choice”
So, How Has It Worked: The Context for Minnesota Today

- Where you stand
  - Competitiveness
  - Demographics
  - Finance
  - Productivity
Where you stand

- Competitiveness
- Demographics
- Finance
- Productivity
Differences in College Attainment (Associate & Higher) Between Younger & Older Adults - U.S., 2009

Source: U.S. Census Bureau, 2009 American Community Survey (ACS)
The Relationship Between Educational Attainment, Personal Income, and the State New Economy Index (2010)

Percent of Adults 25 to 64 with College Degrees (2009)

Personal Income per Capita (2010)

State New Economy Index 2010

Top Tier

Middle Tier

Bottom Tier

Source: U.S. Census Bureau, 2010 American Community Survey; Bureau of Economic Analysis; Kauffman Foundation
Where you stand

- Competitiveness
- **Demographics**
- Finance
- Productivity
Minnesota Public High School Graduates by Race/Ethnicity, 1996-97 to 2008-09 (Actual); 2009-10 to 2027-28 (Projected)
Educational Attainment of Whites and Minorities (Black, Hispanics, Native Americans) Aged 25-44, 2009-2011

Minnesota

Source: U.S. Census Bureau, 2009-11 American Community Survey (ACS) Public Use Microdata Sample (PUMS) File.
Where you stand

- Competitiveness
- Demographics
- Finance
- Productivity
Minnesota Finances – In Comparison

- Above Average Wealth; Below Average Taxes (2010)
  - Per capita income (2011 – Source: NCHEMS):
    - Minnesota: $44,672 (7% Above U.S. avg.; rank – 11th)
    - U.S. Average: $41,663
  - Effective tax rate—state and local (2010 – Source: SHEEO):
    - Oregon: 8.8% (10% above U.S. average; rank – 11th)
    - U.S. Average: 8%
Minnesota H.E. Finances – In Comparison

- **Modest Public Appropriations (State and Local Support/FTE Student 2011)**
  - Minnesota: $5,221 (83% of US avg.; rank – 35th)
  - U.S. average: $6,290

- **Relatively High Tuition (Net tuition and fees/FTE student 2011)**
  - Minnesota: $7,436 (156% of US avg.; rank – 10th)
  - U.S. average: $4,744

- **High Financial Aid: (Estimated Undergraduate Grant Dollars/Undergraduate Enrollment 2012-13)**
  - Minnesota: $685 (135% of US avg.; rank – 9th)
  - U.S. average: $509

- **Net Effect A Bit Above Average Support & Cost: (Total Education Revenue/FTE student)**
  - Minnesota: $12,657 (115% above US avg.; rank – 15th)
  - U.S. average: $11,016
Where you stand

- Competitiveness
- Demographics
- Finance
- Productivity
Pre-collegiate productivity

- High school graduation rate: 86%, 3rd ranked
- High school test scores: 3rd ranked
- 9th Graders chance of college by 19: 59%, 1st ranked
National Student Clearinghouse Information on Student Completion in Six Years

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<thead>
<tr>
<th></th>
<th>Completion</th>
<th>Not Enrolled or Completed</th>
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<tbody>
<tr>
<td></td>
<td>MN</td>
<td>US</td>
</tr>
<tr>
<td>Public Universities</td>
<td>67%</td>
<td>61%</td>
</tr>
<tr>
<td>Private Universities</td>
<td>76%</td>
<td>72%</td>
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<tr>
<td>Community/2 yr Colleges</td>
<td>49%</td>
<td>36%</td>
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The Context for Looking forward in Minnesota

- Where you stand
  - Competitiveness – great
  - Demographics – challenge or opportunity
  - Finance – reality is resources are/will be limited
  - Productivity – a mixed bag
    - Exceptionally good on outcomes
    - Becoming less affordable
Looking forward – some advice from afar

- Contemporize policies, but don’t scuttle them.
  - You have a high cost-high aid model
    - Radical change is unaffordable
    - And, what you have has worked

- Recognize the changes driving higher education
  - The changing students
    - Less full-time
      - Recognize needs of legitimate part-time efforts
      - Recognize the downside of convenient part-time efforts (reinforce intensity & continuous engagement)
Looking forward – some advice from afar

- Recognize the changes driving higher education
  - The Changing Students
    - Less full-time
      - Recognize needs of legitimate part-time efforts
      - Recognize the downside of convenient part-time efforts (reinforce intensity & continuous engagement)
  - The Completion Agenda
    - Reward success in all your funding schemes (appropriations, tuition, & financial aid)
  - The New Methods of Delivering Quality Education
    - Legitimize support for quality on-line instruction
    - Legitimize support for assessing prior learning assessment
    - Prepare for support and recognition of competency based education
Looking forward – some advice from afar

- Recognize lessons learned regarding your policies and programs and improve
  - Appropriations: Is it time for performance funding?
  - Tuition:
    - Is there policy
    - Beware of promises of something for nothing
    - No tuition (no tuition increase) is not a viable policy
      - Free for all becomes a free-for-all – witness California
  - Shared Responsibility Financial Aid
    - Rethink partnerships
      - Student share: is % of costs still that right metric
      - Include all federal benefits, not just Pell (tax credits, income support payments, etc.)
      - Incorporate Institutions as explicit rather than implicit partner
      - Maintain proportional commitment from state -- avoid slip sliding away
  - Double down in reducing the equity gaps
    - For economic development of Minnesota
    - And for social justice for all of Minnesota
Thanks for Inviting Me Back