The Truth and Just
The Truth About Higher Education

What You Must Know By Noon

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**General approach**  
Appropriation leads  
Tuition follows  
Financial Aid fills in

**Desired approach**  
Policies in sync  
ATFA

Appropriations, tuition, and financial aid policies working intentionally together
Must Know #1: What makes good finance (ATFA) 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
Must Know #2: Basic Funding Models (Dave Longanecker’s Version)

- Base Funding (Something for nothing)
  - Enough To Do The Job
  - Payment for Services Rendered
- Incremental Funding (More Something for nothing)
  - Inflation Adjustments – more for the same
  - Average funding in a marginal funding industry
Must Know #2: Basic Funding Models -- Continued

- Performance Funding
  - Incentive funding
    - Inputs presumed to achieve desired outcomes
    - FIPSE like activities – funding good ideas
  - Reward funding (true performance funding)
    - Paying for desired performance on outcomes
    - Historic – enrollment funding
    - New Wave – success; success for access students
Performance Relative to Total Funding per FTE – Overall Index Scores for State Higher Education Systems (NCHEMS)
#3 -- States Are Reducing Their Commitment – Fact or Fiction

- Proof of the Pudding
  - Share of State Funding to Higher Education
    - SHEEO/SHEF Report:
      - 7.7% in ‘02; 6.5% in ‘05
    - But:
      - 6.9% in ‘95
  - So what about funding per FTE
#3 – Whether States Are Reducing Their Commitment Depends Upon One’s Perspective

Public FTE Enrollment, Educational Appropriations and Total Educational Revenue per FTE, United States – Fiscal 1982-2007

Note: Constant 2007 dollars adjusted by SHEEO Higher Education Cost Adjustment (HECA) Source: SHEEO SHEF
Educational Appropriations per FTE
Percent Change by State, Fiscal 2002-2007

Note: Dollars adjusted by 2007 HECA, Cost of Living Adjustment, and Enrollment Mix; Educational Appropriations
Source: SHEEO, SHEEP

WICHE
State & Local Public Higher Education Support per Full Time Student (NCHEMS/SHEEO)
#3: Public Higher Education Is Privatizing

- Because of Shift to Private Payer System
#3 – Indeed, there has been a shift to private pay, but not because of loss of state support.
#3: The Feds Are Shifting From Grants to Loans

- Not Really:
  - Grants are up: Pell from $2,150 in ‘93 to $4,750 today
  - Loan volumes are up much more
    - 92 and 98 Amendments
    - That will moderate
  - Tax Benefits Are The Big Area of Growth

- Net/Net: Feds disproportionately increasing aid to middle-income
#3: States and Feds moving away from equity to merit (from opportunity to opportunism)

- The States
  - Five Year % Change
    - Non-need based Aid: 67%
    - Need based Aid: 43%
  - Five Year $ Change
    - Non-need based Aid: $850 million
    - Need based Aid: $1.65 billion
  - Total Amount in 2006-07
    - Non-need based Aid: $2.1 billion
    - Need based Aid: $5.5 billion
The Bottom Line

- Higher Ed Is The Balancing Wheel

- But this wheel steers in only one direction – higher costs/borne by students

- But that can’t increase forever

- Answer has to be **POLICIES IN SYNC – Appropriations, Tuition, & Financial Aid Thought of Together -- ATFA**