Louisiana Higher Education Master Plan -- Board of Regents Discussion

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President, WICHE

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

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Louisiana 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
Financing higher ed ... HOW!

The flow of funds

Economy
  Tax revenues
  Income
  Student aid
  Student aid (restricted)

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

Students
  Tuition
  Student aid (restricted)

Institutions
  Gifts

Federal Government

Donors Foundations Corporations

Source: NCHEMS
Financing higher ed ... HOW!

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- Federal Government
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- State and Local Government
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Financing higher ed ... HOW!

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Source: NCHEMS
General approach

A. Appropriation leads
T. Tuition follows
F. Financial Aid fills in

Desired approach

P. Policies in sync
ATFA

Appropriations, tuition, and financial aid policies working intentionally together
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
So, how does Louisiana measure up?
Are Resource Allocations Supporting State Priorities?

- Where Louisiana has been:
  - Pretty darn good – well articulated state level goals
  - Most significant dilemma -- sum of the parts don’t equal the desired whole
- New Master Plan progress is quite impressive to date
  - Summing the parts
Good finance policy: Allocations make higher education affordable – to students

- A mixed bag on student affordability
  - Citizen capacity to pay is low
    - Lowest in the Nation Per Capita Income, 2005)
      - U.S. Average: $34,471
      - Louisiana: $24,664
        (72% of national average)
        (50th rank nationally)
  - Tuition – A Good Deal
    - Below Average tuition by sector as a share of national averages
      (Washington Tuition and Fees Study)
      - Community Colleges: 74%
      - Four-year Institutions: 69%
      - Research Universities: 70%
    - Below Average share of family income required to cover costs
      (23/5% -- 6th lowest in country share)
Good finance policy: Allocations make higher education affordable – to students

- Financial Aid
  - TOPS – A popular and effective merit program
  - **BUT!!** Historically Below Average on need-based student financial assistance (NASSGAP)
  - Estimated need-based U.G. grant dollars/U.G. FTE
    - **U.S.:** $415
    - **Louisiana:** $9.59
    - **Rank:** 47th
Good finance policy: Allocations make higher education affordable – to students

- So, where are current policy and the Master Plan Headed
  - On tuition
    - The Legislative Control dilemma: Legislatures tend to view tuition as an access tool, not as a revenue source.
    - Result is unintentional but regressive finance policy
      - Limits access because limits supply
      - Jeopardizes quality because erodes financial viability
    - Intentionality and Predictability in Master Plan could improve policy – Building a rational rationale --i.e., blending $s and %s.
  - On Financial Assistance
    - Sustaining TOPS – but could stand “contemporizing”
    - Adoption of the new GO Grant
    - First Generation Endowed Scholarship Grant
Good finance policy: Allocations make higher education affordable – for State

- Louisiana tries hard
State & Local Support for Public Higher Education per $1,000 of Personal Income (NCHEMS/SHEEO)
Good finance policy: Allocations make higher education affordable – for State

- Louisiana tries hard.

- But as a poor state, this effort only goes so far.
### State & Local Public Higher Education Support per Full Time Student (NCHEMS/SHEEO)

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<tr>
<th>State</th>
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Source: State Higher Education Executive Officers (SHEEO)
Good finance policy: Sustaining/Enhancing Institutional Capacity—The Supply Side of the Equation

- Overall funding is modest
  - State is generous (now)
  - Tuition revenue is extremely modest
  - Financial Aid is mixed
    - High on merit
    - Low on need, but headed in the right direction
  - The net/net is still modest funding
Good finance policy: transparency to relevant stakeholders

- Transparency to Legislators and Governor
  - Currently -- How additional resources relate to achieving state goals is not clear.
  - A Strength of the Master Planning to date – Focusing on Performance Funding (akin to new Governor’s thrust)
Good finance policy: transparency to relevant stakeholders

- Transparency to citizens
  - TOPS well understood – both positive and not so positive message
  - GO will balance the message
  - They believe tuition is cost
Good finance policy: transparency to relevant stakeholders

- Transparency to institutions
  - Not an issue in Louisiana
  - New Master Plan needs to make it clear how resources follow performance on Goals
Good finance policy – resource allocations reinforce the State’s priorities

- Dependent upon both the *level* of resources and the *allocation* of resources
- Louisian suffers a bit on both
  - *Level* is only marginally sufficient to sustain a strong higher education system
  - *Allocation* fails to consider all sources of funds – Appropriations, Tuition, and Financial Aid (ATFA) in a cogent, philosophically sound set of policies
    - Making Progress
    - Tuition Policy Is The Remaining Weak Link
- *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 ...
- Resources sustain (and may even enhance) institutional capacity
- Resource allocations make higher ed affordable
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- Resource allocations are fair
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Your Path To Chose: Sync or Swim

- Louisiana is ahead of the pack in terms of planning
- You are more *intentional* than most
- And, intentionality matters
- This Master Plan needs to “take it to the next level”
  - Clear goals
  - And accountability with consequences