American Recovery and Reinvestment Act of 2009

What and What Next for Higher Education

Paul E. Lingenfelter, President
State Higher Education Executive Officers
Recessions have a lasting impact on higher education

- Enrollment grows faster
- State and local funding cannot keep pace with enrollment demand
- Tuition and fees grow faster
- Access to knowledge, skills, and training becomes increasingly expensive when people need it most.
Recoveries have not been strong enough to mitigate the cost shift.
Current outlook predicts a dreary forecast

- 46 states face budget shortfalls totaling $350 billion (Center on Budget and Policy Priorities)
- Many states now cutting spending and draining all reserves and resources
- Downturn and tighter budgets expected for next 2-5 years
- Early estimates show enrollment demand continues to grow
- Higher education typically cut more than other areas of state budgets
Select items impacting higher education...

- State Fiscal Stabilization Fund
- Student financial assistance
- WIA programs
- State longitudinal data systems
- Research and development
$53.6 billion to stabilize state and local funding for higher education

<table>
<thead>
<tr>
<th>State Fiscal Stabilization Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40.1 billion  —  To restore state funding deficiencies for fiscal years 2009, 2010, 2011 to the greater of either FY2008 or FY2009 funding levels in the state’s K-12 and higher education funding formulas (higher education institutions can use funds for education and general expenditures to mitigate tuition increases and/or modernize, renovate, or repair facilities used for instruction, research or student housing)</td>
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<tr>
<td>$8.2 billion  —  Governors to spend on high priority needs (can include public colleges and school districts)</td>
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<td>$5.01 billion  —  Reserved for the Secretary of Education ($4.35 billion for State Incentive Grants and $650 million for Innovation Fund and $14 million for admin/oversight)</td>
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<tr>
<td>$268 million  —  To restore state funding deficiencies in education for outlying areas</td>
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Update on state fiscal stabilization funds

- Governors must apply for stabilization funds
- Application and guidance available on U.S. Department of Education website
- 17 states and Puerto Rico have completed and submitted applications
- 13 states (CA, FL, GA, IL, ME, MN, MS, NV, NY, OR, SD, UT, WI) have been approved to receive funds
### Allocation plans of state fiscal stabilization funds by state

**Education Stabilization Funds (Minimum of 81.8%)**

<table>
<thead>
<tr>
<th>State</th>
<th>K-12</th>
<th>Higher Ed</th>
<th>% Allocated to HE</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$3.7 B</td>
<td>$1.2 B</td>
<td>24.6%</td>
</tr>
<tr>
<td>Florida</td>
<td>$1.8 B</td>
<td>$459 M</td>
<td>20.8%</td>
</tr>
<tr>
<td>Georgia</td>
<td>$927 M</td>
<td>$334 M</td>
<td>26.5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>$1.6 B</td>
<td>$40 M</td>
<td>2.4%</td>
</tr>
<tr>
<td>Maine</td>
<td>$125 M</td>
<td>$29 M</td>
<td>18.9%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$345 M</td>
<td>$211 M</td>
<td>38.0%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>$148 M</td>
<td>$39 M</td>
<td>20.9%</td>
</tr>
<tr>
<td>Nevada</td>
<td>$210 M</td>
<td>$115 M</td>
<td>35.4%</td>
</tr>
<tr>
<td>New York</td>
<td>$2.3 B</td>
<td>$83 M</td>
<td>3.4%</td>
</tr>
<tr>
<td>Oregon</td>
<td>$345 M</td>
<td>$121 M</td>
<td>26.0%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>$47 M</td>
<td>$24 M</td>
<td>33.6%</td>
</tr>
<tr>
<td>Utah</td>
<td>$280 M</td>
<td>$113 M</td>
<td>28.7%</td>
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<tr>
<td>Wisconsin</td>
<td>$560 M</td>
<td>$0</td>
<td>0%</td>
</tr>
</tbody>
</table>

On average, these states are spending the majority of their Educational Stabilization Funds to complete FY 2008-09 and on FY 2009-10 with less than 10% available for FY 2010-11.
### Allocation plans of state fiscal stabilization funds by state

#### Other Government Services Funds (Maximum of 18.2%)

<table>
<thead>
<tr>
<th>Percent of Funds Used for Specific Purposes</th>
<th>0-20%</th>
<th>21-40%</th>
<th>41-60%</th>
<th>61-80%</th>
<th>81-100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td></td>
<td></td>
<td></td>
<td>WI</td>
<td>CA, GA, SD</td>
</tr>
<tr>
<td>K-12 (Non-capital)</td>
<td>NY</td>
<td></td>
<td></td>
<td>MN, WI</td>
<td>IL</td>
</tr>
<tr>
<td>Public IHEs (Non-capital)</td>
<td>NY</td>
<td>IL</td>
<td></td>
<td>MN, MS</td>
<td></td>
</tr>
<tr>
<td>K-12 (Capital)</td>
<td>MN</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>IHEs (Capital)</td>
<td>MN</td>
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<tr>
<td>Medicaid</td>
<td>MS</td>
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<tr>
<td>Public Assistance</td>
<td></td>
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<td></td>
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<tr>
<td>Transportation</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>WI</td>
<td></td>
<td></td>
<td>MS</td>
<td>NY, UT</td>
</tr>
<tr>
<td>Undetermined</td>
<td>WI</td>
<td>UT</td>
<td></td>
<td></td>
<td>FL, ME, NV, OR</td>
</tr>
</tbody>
</table>
Tourniquet, not a transfusion

State stabilization funds will help us:

- Buy time
- Manage a short-term crisis
- Build a foundation for dealing with some fundamental problems
Post-stimulus: “Low-Gap” scenario

Gaps could approximate 4% of spending ($70 billion)

Source: NCHEMS using Don Boyd (Rockefeller Institute of Government), 2009.
Post-stimulus: “High-Gap” scenario

Gaps could approach 7% of spending ($120 billion)

"High-Gap" Scenario:
State General Revenue Minus Expenditures With and Without Federal Stimulus

Source: NCHEMS using Don Boyd (Rockefeller Institute of Government), 2009.
Projected state & local budget surplus (gap) as a percent of revenues, 2016

Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2009.
And so tonight, I ask every American to commit to at least one year or more of higher education or career training. This can be community college or a four-year school; vocational training or an apprenticeship. But whatever the training may be, every American will need to get more than a high school diploma…. By 2020, America will once again have the highest proportion of college graduates in the world.

President Barack Obama, February 24, 2009
So, where do we stand in the world today?

Other industrialized nations are educating their young adult workers to record levels…

...while the U.S. stands still.

To match leading nations 55% of U.S. adults must attain some college degree by 2025, but...

By 2025, the U.S. will fall **16 million degrees** short of this attainment rate if we fail to increase college degree production above the current rate.

Two essential steps...

The United States must:

- Continue to attract talent from abroad
  - 7 million more degrees by 2025

- Increase degree production
  - 16 million more degrees by 2025
Additional degrees needed to become the most educated country by 2020

- **1.3 million degrees** Added through projected population growth

- **4.3 million degrees** Resulting from increasing high school graduation rates, college-going rates of recent high school graduates, and postsecondary graduation rates

- **4.2 million degrees** Added by having half of the 8.4 million young U.S. adults (aged 25-34) with some college complete a degree

- **2.6 million degrees** Added by having a third of the 8.8 million slightly older U.S. adults (aged 35-44) with some college complete a degree

- **3.4 million degrees** Added by having fifteen percent of the 22.7 million adults (aged 25-44) who have completed high school, but not attended college, complete a degree
What will it take for the U.S. to lead the world in postsecondary educational attainment?

- Improving high school graduation rates
- Improving postsecondary enrollment rates
- Improving postsecondary graduation rates
- Encouraging and enabling adults with some college or just a high school diploma to complete a postsecondary credential
...with no compromise on quality

- Students who complete high school must be ready for college or employment without the need for remedial instruction
- Students who complete postsecondary degrees and certificates must have the knowledge and skills necessary to be productive workers and citizens
- Citizens must have the capacity, opportunity, and motivation to improve continuously their knowledge and skills throughout life
What federal actions will make a difference?

• Reinforce and repeat the President’s articulation of the national imperative

• Fund appropriate federal initiatives

• Promote state leadership, creativity, and commitment

• Provide information and ideas

• Assist states in identifying their needs and mobilizing their own resources
What state actions will make a difference?

- Establish clear, concrete goals for higher rates of educational attainment
- Promote, assist, and insist on institutional practices that assure the assessment and improvement of student learning
What state actions will make a difference?

• Establish budgetary policies and practices that emphasize student success, efficiency, and productivity

• Provide need-based student financial assistance designed to grow in lock-step with tuition and enrollment increases
What state actions will make a difference?

- Develop clear standards of “college ready” and assessments of learning in high school
- Improve both K-12 and postsecondary teaching capacity
What state actions will make a difference?

- Promote practices that encourage postsecondary participation and success of working adult learners

- Encourage the implementation of successful developmental education strategies
Increasing educational attainment through a state/federal partnership

The federal government could provide state matching grants that require states to:

- Establish state goals, strategies, and metrics
- Involve all key constituents
- Implement and use a solid data system
- Analyze strategies, monitor results, and continuously improve
Increasing educational attainment through a state/federal partnership

With the matching grants, the federal government should:

• Give states flexibility in implementation.

• Measure rigorously the results of initiatives.

• Structure the federal matches to decline over time.
Contact information:

Paul Lingenfelter
President
SHEEO
(303) 541-1605
plingenfelter@sheeo.org