Strategies for Tough Times

WICHE Commission Meeting
Boulder, Colorado
November 2, 2009
The Reality of Higher Expectations

“By 2020, America will once again have the highest proportion of college graduates in the world”
- President Obama, 2/24/09

• State Level Goals
  - Double the numbers in Arizona, Colorado, & Kentucky
  - Global Competitiveness in Minnesota and Texas
  - 40-40-20 in Oregon
Percent of Adults with an Associate Degree or Higher by Age Group - U.S. & Leading OECD Countries

Canada  | New Zealand | Korea | Ireland | Belgium | Norway | France | Denmark | U.S.
--|---|---|---|---|---|---|---|---
54.8 | 43.6 | 53.0 | 42.2 | 41.9 | 41.5 | 41.4 | 39.8 | 37.7
50.8 | 39.5 | 46.2 | 38.1 | 34.8 | 34.6 | 36.2 | 39.6 | 37.4
43.2 | 39.1 | 37.5 | 22.8 | 26.8 | 24.9 | 32.2 | 33.2 | 30.3
37.4 | 30.3 | 22.9 | 16.9 | 22.5 | 19.4 | 28.5 | 28.5 | 10.6
39.3 | 24.0 | 19.2 | 16.9 | 19.4 | 16.0 | 30.3 | 30.3 | 16.9
39.1 | 22.8 | 10.6 | 16.9 | 19.4 | 16.0 | 30.3 | 30.3 | 16.9

Source: OECD, Education at a Glance 2008
Differences in College Attainment (Associate & Higher) Between Younger & Older Adults—U.S., 2006

Source: U.S. Census Bureau, 2006 American Community Survey (ACS)
Percent of Adults with an Associate Degree or Higher by Age Group, WICHE States

Source: OECD, Education at a Glance 2007
Percent of Adults with an Associate Degree or Higher by Age Group, WICHE States

(continued)

Source: OECD, *Education at a Glance 2007*
Annual Increase in Degree Production Required to Meet the Goal
- 11.7 Million Additional Degrees by 2020

Adjusting for Current Levels of Educational Attainment and Population Growth by State
Percent Annual Increase in Degree Production Required to Meet the Goal – 11.7 Million Additional Degrees by 2020

Adjusting for Current Levels of Educational Attainment and Population Growth by State
Additional Degree-Holders Needed to Close Racial/Ethnic Gaps Between Whites & Minorities, 2005-07

US = 2,123,105


2,123,105

US = 21,578,765
Even Best Performance with Traditional College-Age Students at Each Stage of the Educational Pipeline Will Leave Gaps in More than 30 States

In order to reach international competitiveness by 2025, the U.S. and 32 states cannot close the gap with even best performance with traditional college students. They must rely on the re-entry pipeline—getting older adults back into the education system and on track to attaining college degrees.
Even Best Performance with Traditional College-Age Students at Each Stage of the Educational Pipeline Will Leave Gaps in More than 30 States

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FINANCIAL ENVIRONMENT
The Flow of Funds - State

- Economy
- Available State and Local Govt. Funds
- Higher Education

- Student Aid
- Appropriations/Grants
- Tuition
- Scholarships & Waivers

- Federal Government
  - Stimulus Funds
  - K-12
  - Corrections
  - Health Care
  - Other Govt.
Many state governments have serious financial problems.

And they’re not going to recover quickly.
Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2010

*32-year historical average rate of growth is 5.9 percent

**Fiscal 09 numbers are estimated

***Fiscal 10 numbers are recommended

Source: NASBO June 2009 Fiscal Survey of States
FY 2010 Highest Budget Gaps as a Percentage of General Fund Budget

Source: NCSL survey of state legislative fiscal offices, April, June, and July 2009.
Projected Budget Gaps

Source: NCSL survey of state legislative fiscal offices, various years.

*Includes Puerto Rico
Projected State & Local Budget Surplus (Gap) as a Percent of Revenues, 2016

Source: NCHEMS; Don Boyd (Rockefeller Institute of Government), 2009
For most states - and for most public institutions - the stimulus package is not an answer

- But it will slow the impact
- And it can buy enough time to adjust to substantially changed circumstances
After stimulus wanes, gaps could approximate 4% of spending, or $70 billion, even under the “Low-Gap” Scenario

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

Source: Don Boyd (Rockefeller Institute of Government), 2009
After stimulus wanes, gaps could approach 7% of spending or $120 billion under the “High-Gap” scenario.

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

Source: Don Boyd (Rockefeller Institute of Government), 2009
Recognize that the big population growth will be in students of color. In the main these will be individuals of modest means.

Therefore there are real limits as to how high tuition can go before price affects participation and completion.
Difference Between Whites and Next Largest Race/Ethnic Group in Percentage of Adults Age 25-34 with an Associate Degree or Higher, 2000

Source: U.S. Census Bureau, PUMS (based on 2000 Census)
### Percentage of Children in the Lowest and Highest U.S. Family Income Quartiles by Race/Ethnicity (2006)

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<th>State</th>
<th>Low Income Quartile</th>
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<th>High Income Quartile</th>
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The Imperative to Reduce Costs and Increase Productivity

- Funding strategy to support attainment goals has to include attention to cost control and productivity increases - by states, within systems, and in institutions

- Both are possible - but both require new habits and attention to spending, and improving accountability for spending and performance

- Beginning with better language about costs and where to focus policy attention
Clarifying language as it relates to costs and productivity

- Costs = spending, not prices

- Focus on E&R, not total spending

- Measure cost per student and cost per degree/completion

- Look at patterns over time
Peeling the onion: getting at core functions inside budgets

Snapshot of total spending by functional area, 2006, public research universities in WICHE region
Spending within E&R only – 2006, WICHE public research

Expenditures By Share

Expenditures per FTE Student

Institutions

Admin/Support and Maintenance
Student Services
Instruction

University of Montana
University of Alaska Fairbanks
University of Arizona
University of California, Berkeley
University of Colorado at Boulder
University of Hawaii at Manoa
University of Idaho
University of Nevada-Las Vegas
University of Nevada-Reno
University of New Mexico Main Campus
University of North Dakota
University of Oregon
University of South Dakota
University of Utah
University of Wyoming
University of Washington-Seattle Campus

DENTAL PROJECT on Postsecondary Education Costs, Productivity, and Accountability
And within E&R, the subsidy versus tuition share of costs.
Approaches to Reducing Costs and Achieving Greater Productivity
Cost reductions + productivity = cost effective

Cost reductions =
Permanent structural reductions in spending

Productivity improvements =
Increase in output (learning, research, jobs),
without changing admissions or spending
Examples of cost reductions

- Reduce high cost/low demand programs
- Address retirement eligibility
- Reduce growth in health care
- Consolidate administrative functions
- Reduce subsidies to “self-supporting” auxiliaries (athletics, others)
- Restructure debt
- Restructure faculty compensation and rewards (use turnover to substitute teaching faculty for research faculty)
Examples of productivity improvements

• Increase in student retention and graduation
• Reduce excess credits accumulated to the degree
• Increase credit-by-exam
• Increase distance-based learning programs
• Increase proportion of graduates who meet goals for critical learning
• Increase proportion of students who remain – and are employed – in state
Building Cost-Effective Systems

- More appropriate mix of institutions
- Create new types of providers
- Effective collaboration among institutions
- More efficient use of existing resources
Building cost-effective institutions

- Reduce administrative costs
- Tackle ‘automatic’ cost increases
- Reengineer curricula
- Reengineer course delivery
- Eliminate or consolidate high cost/low demand programs
System and institution: Increase learning productivity

- Students come to college fully prepared (no remediation)
- Accelerated learning
- Minimize “rework” and reduce credits to degree
- Improve rates of course completion
- Encourage use of assessment/”test out” options
- Learning in the workplace/credit for experience
State-System Level Short-Term Actions

• Be clear about goals & accountability measures
  – Degree production
  – Reduced cost/degree

• Create a Coherent Financing Plan
  – Align policies regarding appropriations to institutions, tuition, & student aid policies
  – Treat different sectors differentially
  – “Reset” base funding levels

• Invest more (reduce less) state appropriations in institutions that must contribute most to student access and success
Short-Term Actions (continued)

• Protect need-based financial aid
• Incorporate spending accountability into public reporting systems
• Set goals for cost reductions and productivity increases
• Have a plan for use of savings
  • Invest in reform
  • Return to General Fund
Long-Term State/System-level Actions

- Refocus institutional missions
  - Directly
  - Through de-funding certain programs/functions
- Require certain programs to be self-supporting (e.g., MBA)
- Align state & federal student aid programs – leave no federal money on the table
- Administer need-based aid as a state – not institutional – program
- Tackle developmental education on a statewide basis
  - Consider a separate delivery entity
- Undertake a policy audit with an eye toward eliminating unnecessary bureaucracy
- Adopt a strategy for investing in productivity enhancement
  - Course redesign on a system-wide basis
  - Retrofitting buildings for energy efficiency
  - Reengineered business processes
  - Inter-institutional collaboration