

Governor Ritter &
Colorado Department
of Higher Education:

Colorado Higher
Education Summit

Colorado Springs

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WICHE

CHANGING DIRECTION

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

Colorado 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

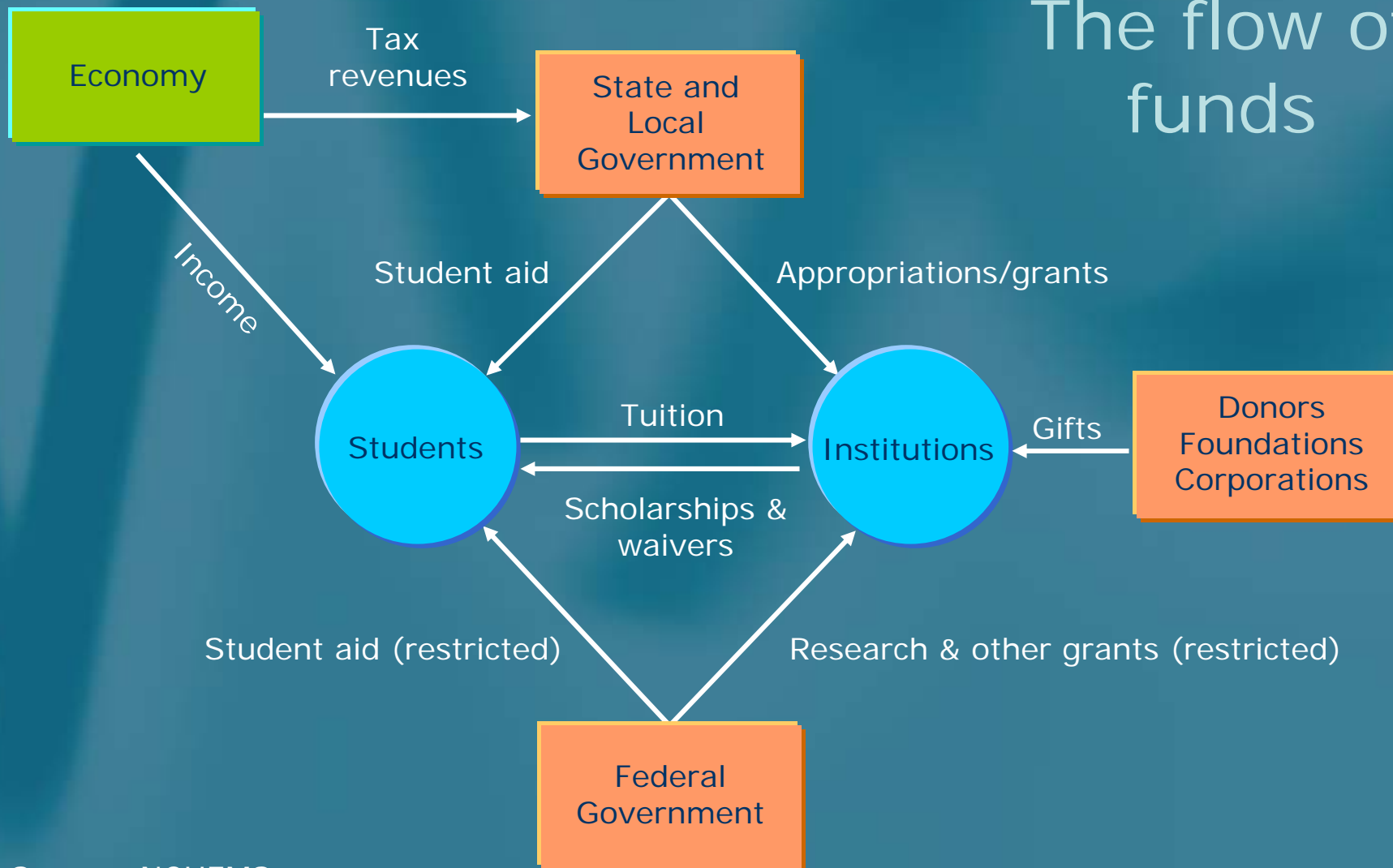
- An economic engine
- Public service institutions dedicated to promoting the public good

**Achieved cost effectively
&
Explicitly in Colorado**

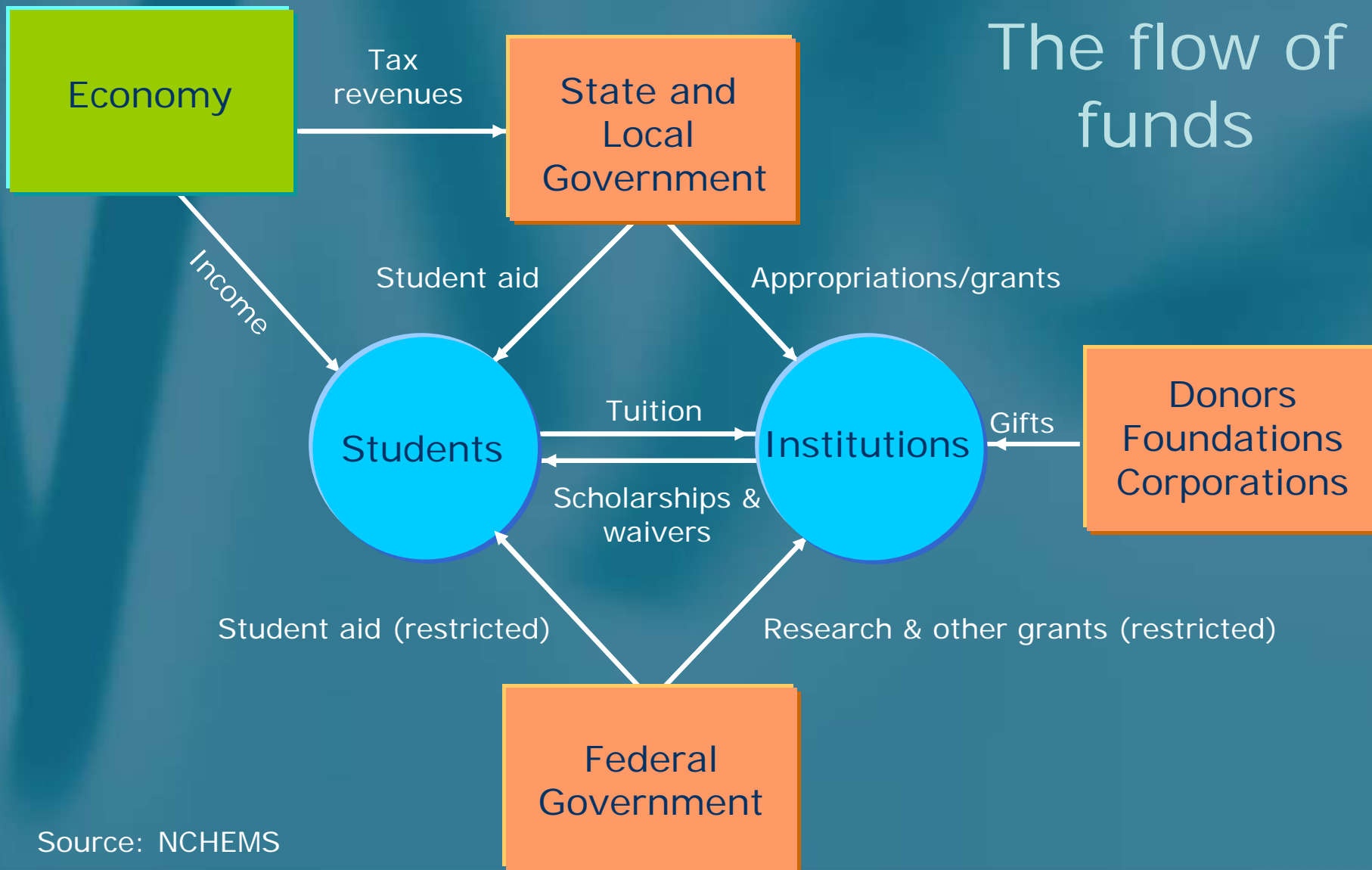
“ ...it is critical that the rate of postsecondary participation by low-income Coloradans, males and minorities, who are currently under-represented, be increased at every Colorado state institution...” (SB 04189)

Financing higher ed ... HOW!

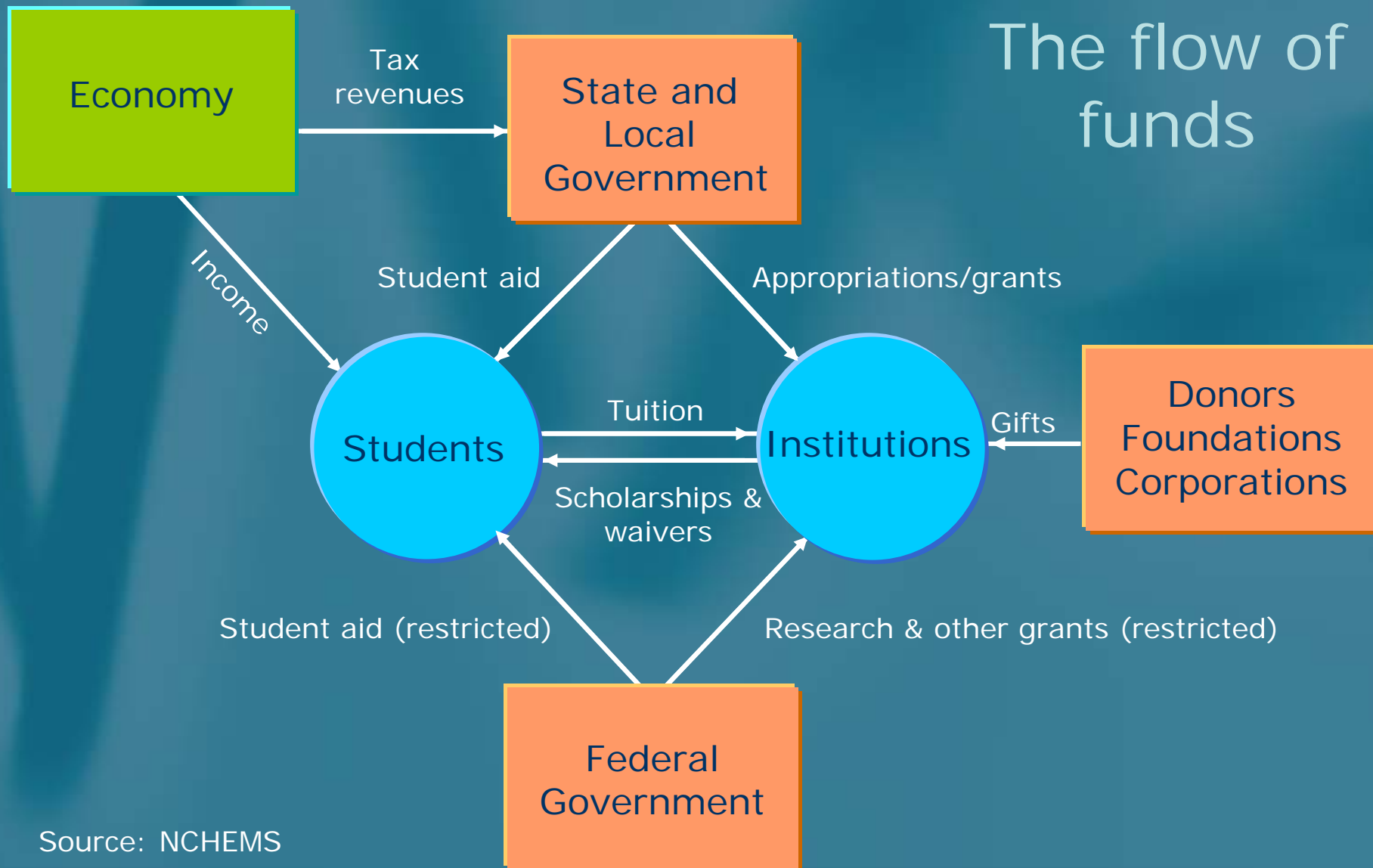
The flow of funds



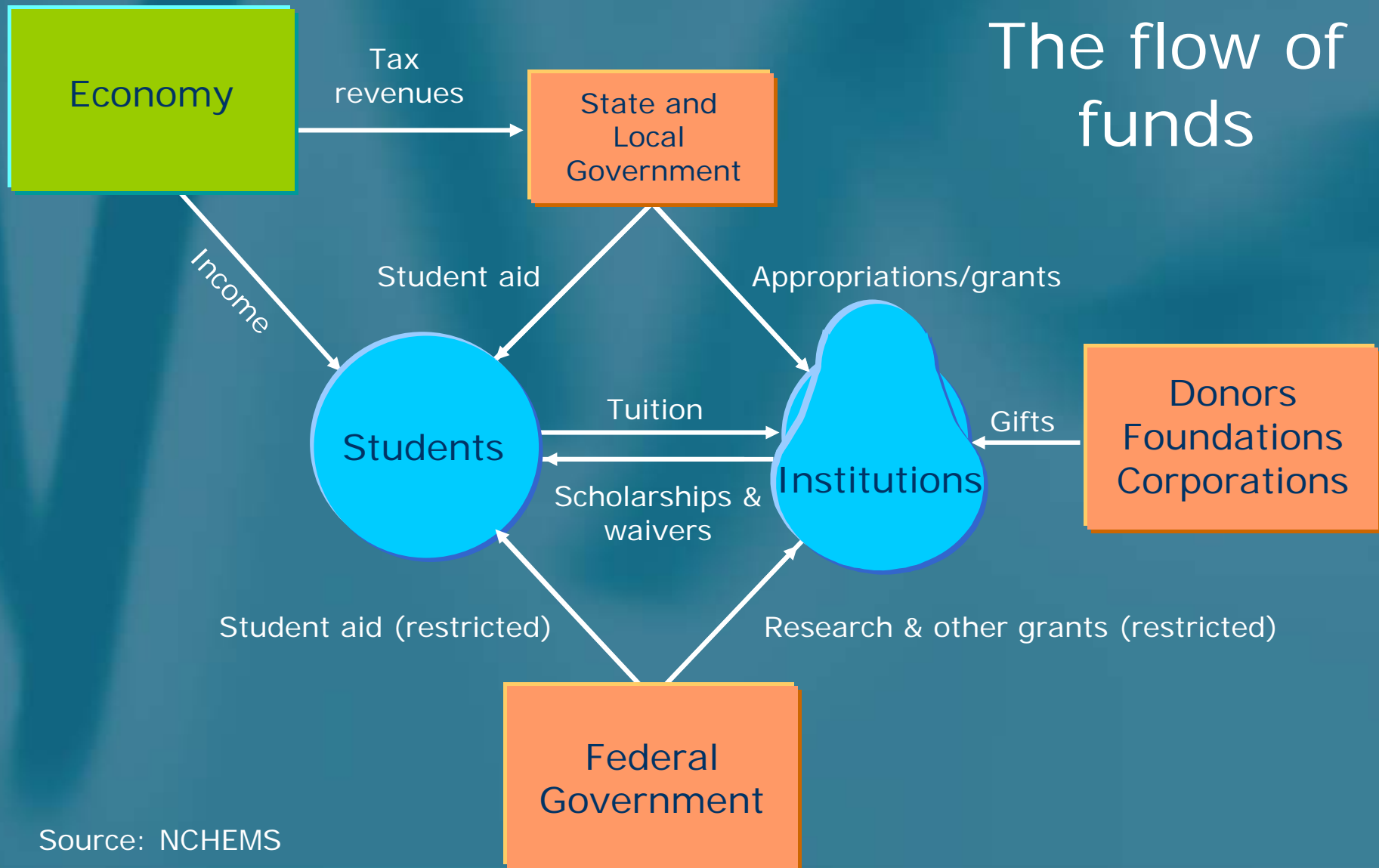
Financing higher ed ... HOW!



Financing higher ed ... HOW!



Financing higher ed ... HOW!



What makes good finance 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 Colorado stack up?

Good finance policy: Allocations make higher education affordable

- A mixed bag on student affordability
 - Tuition – A Pretty Good Deal in Colorado
 - *Above Average* Family Income (median for family of 4, 2005)
 - U.S. Average: \$62,732
 - Colorado: \$68,089
(108.5% of national average)
(9th rank nationally)
 - *Below Average* tuition by sector as a share of peer institutions (CCHE/NCHEMS Study)
 - Community Colleges: 80%
 - Four-year Institutions: 64%
 - Research Universities: 86%

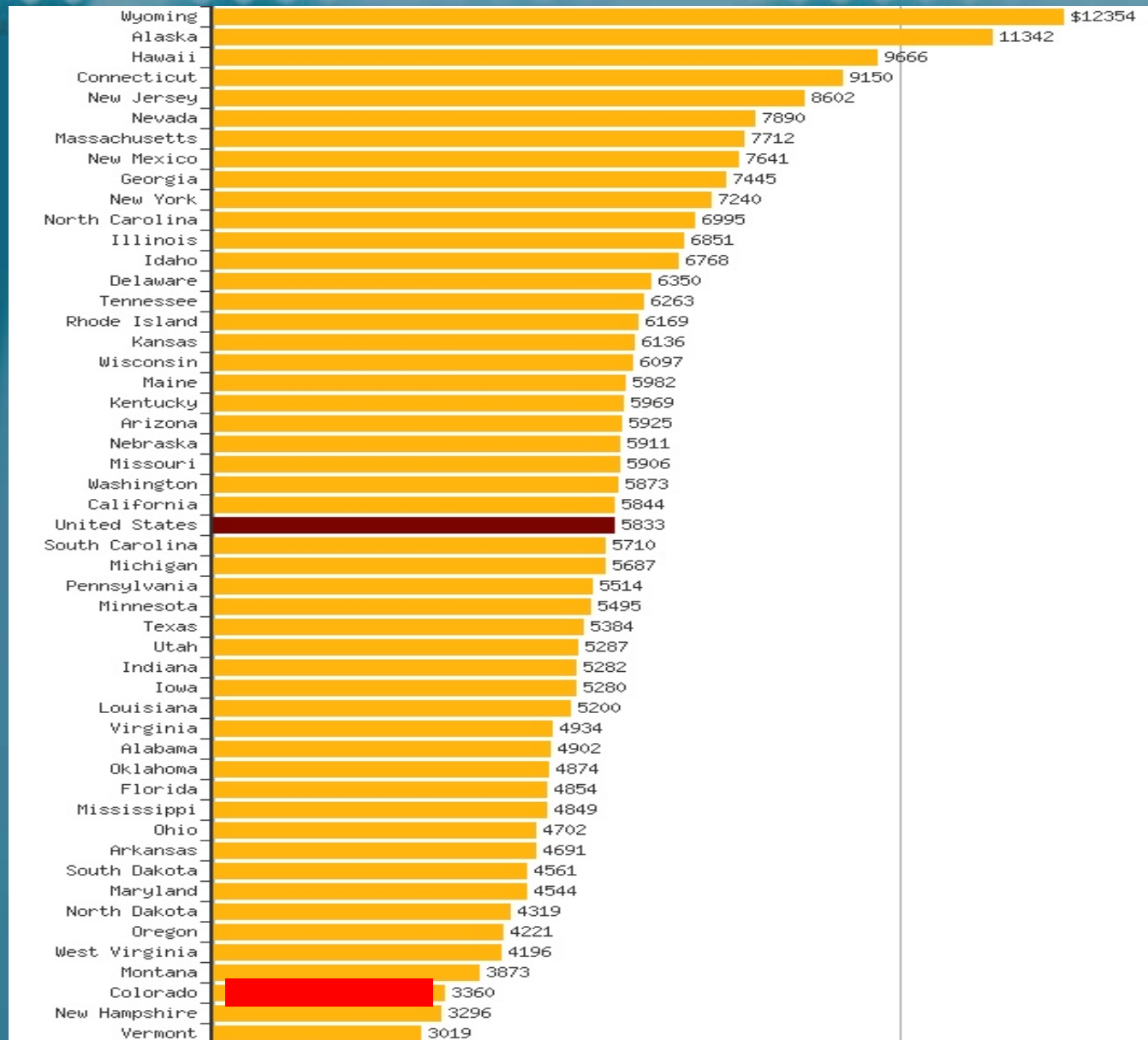
Good finance policy: Allocations make higher education affordable

- A mixed bag on student affordability
 - Addressing Income Inequality– *A Manageable Task*
 - Colorado: 15th highest in income disparity between lowest quintile and middle quintile
 - But not so bad in absolute terms.
 - 7th highest income for lowest quintile (\$14,000)
 - 10th for second lowest quintile (\$32,388)
 - 11th for middle quintile (\$52,000)
 - The Big Issue (Jones): Regional disparities in wealth (or lack thereof)
 - *Below Average* on student financial assistance (NASSGAP)
 - Estimated need-based U.G. grant dollars/U.G. FTE
 - U.S.: \$446*
 - WICHE: \$386*
 - Colorado: \$274*
 - Colorado rank: 26th*

Good finance policy: Allocations make higher education affordable

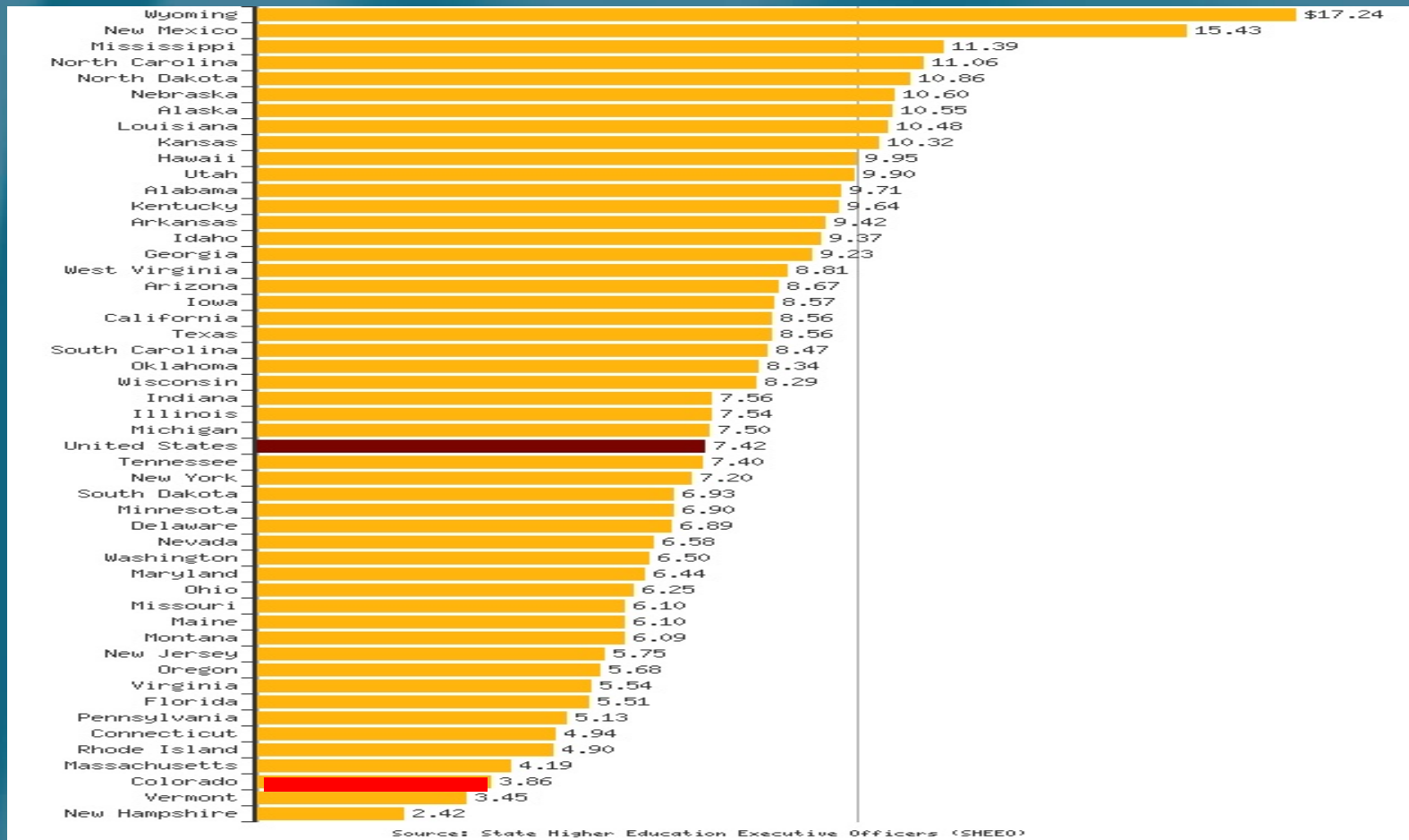
- Very affordable for the State

State & Local Public Higher Education Support per Full Time Student (NCHEMS/SHEEO)



Source: State Higher Education Executive Officers (SHEEO)

State & Local Support for Public Higher Education per \$1,000 of Personal Income (NCHEMS/SHEEO)

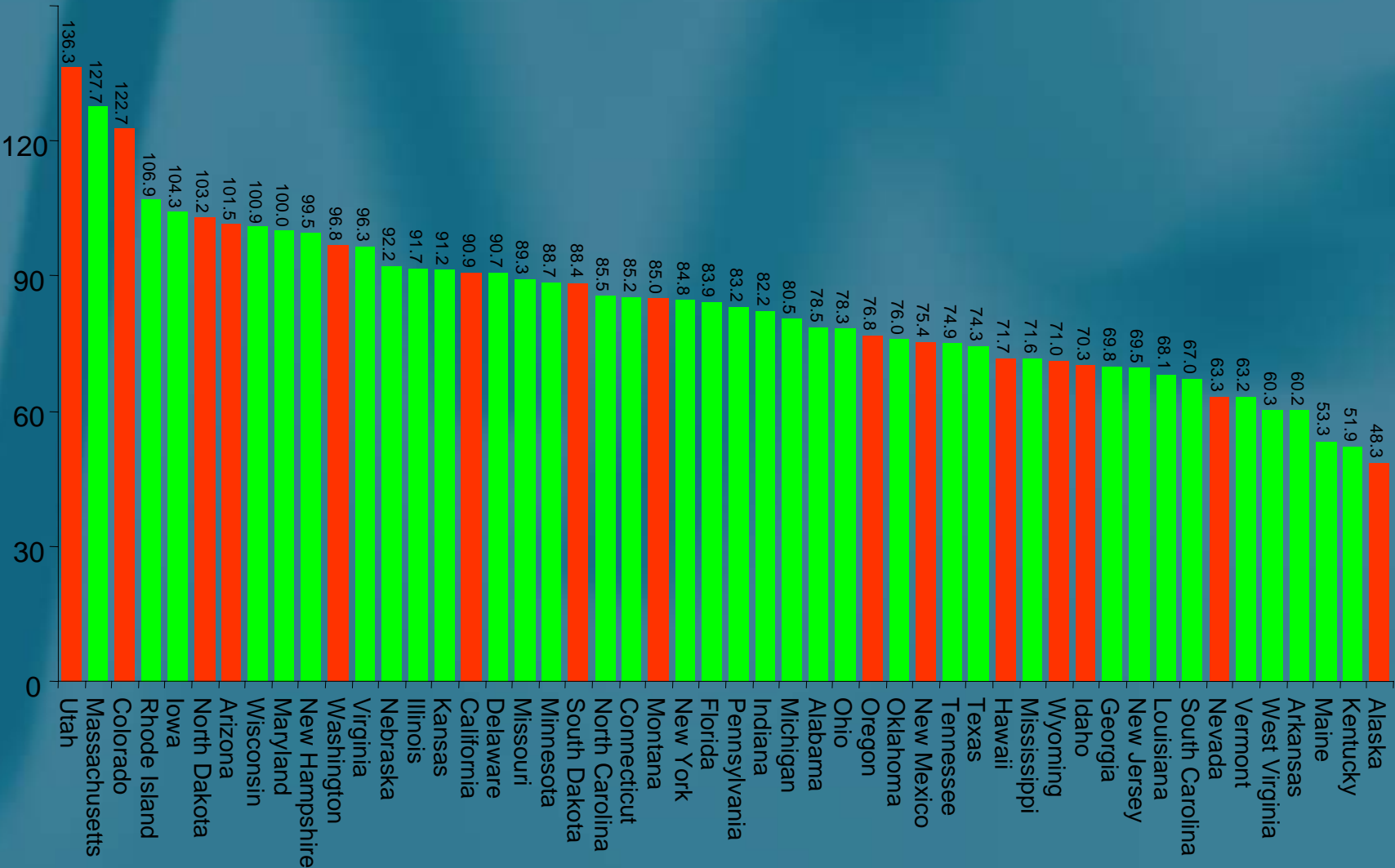


Source: State Higher Education Executive Officers (SHEEO)

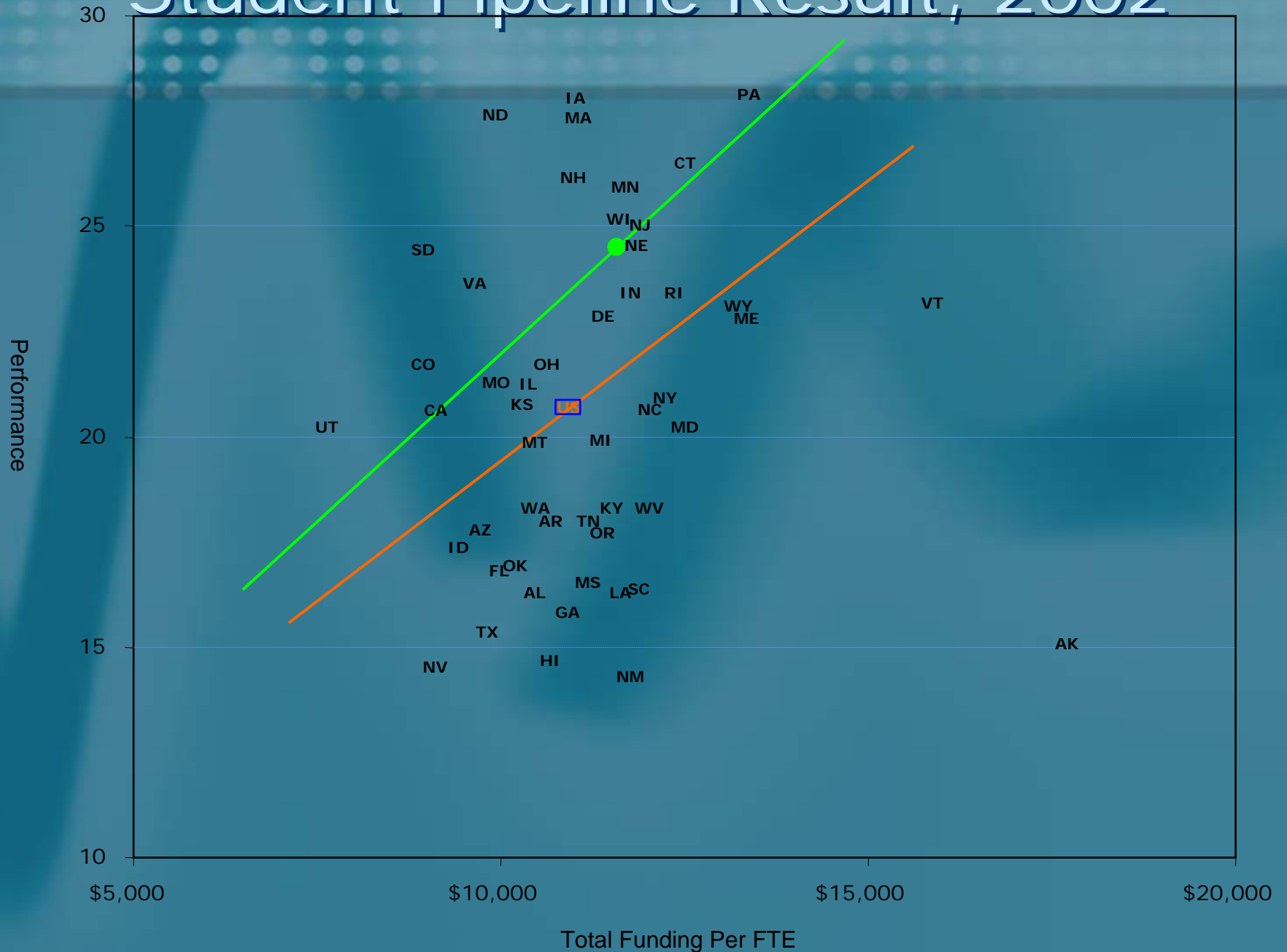
Good finance policy: Sustaining/Enhancing Institutional Capacity—The Supply Side of the Equation

- Funding is inadequate to sustain, let alone enhance institutional quality or accessibility
- Combined Appropriation, Tuition and Fee Revenue Compared to Peer Institutions (CDHE & NCHEMS)
 - Community Colleges: 69%
 - Four-year Institutions: 58%
 - Research Universities: 64%
- Additional amount necessary from All Sources to achieve parity with peers: \$843 million (in 2007 dollars).
- Progress in this last legislative session (FY 2008):
 - \$44 million increase in appropriation for operating expenses
 - \$60 million increase in tuition & fees revenue
 - \$30 million increase in capital
 - Good, but . . .

Performance Relative to Total Funding per FTE – Overall Index Scores for State Higher Education Systems (NCHEMS)



Student Pipeline Result, 2002



Good finance policy: Fair Allocations

- The Balance Between Institutional and Student Support.
 - Both roughly equally under-funded
 - Need-based financial aid at *a little more than half* the norm
 - Institutional support at about *a little more than half* the norm
 - Fairness between institutions
 - Might be difficult to achieve perceived “fairness” with this level of deprivation.
 - Is the measure average deprivation or absolute level of support?

Good finance policy: transparency to relevant stakeholders

- Transparency to Legislators and Governor
 - The categories are well understood
 - How additional resources relate to achieving state goals is not clear.
 - Fee For Service could be incentive based
 - But today just “rounds out the formula”
 - More “hold harmless” than “incentivize change”

Good finance policy: transparency to relevant stakeholders

- Transparency to citizens
 - COF not yet achieving goal of encouraging greater participation
 - Still confusion between gross and net price
 - Fee for Service focused more on institutions' needs than on state's needs

Good finance policy: transparency to relevant stakeholders

- Transparency to institutions
 - Institutions at risk because COF payments are not predictable
 - Fee for Service is perhaps all too predictable – following past practice, rather than state's emerging needs
 - The *C-Change's* temporary condition places funding sustainability at risk

Good finance policy – resource allocations reinforce the State's priorities

- Dependent upon both the *level* of resources and the *allocation* of resources
- Colorado suffers on both
 - *Level* is simply insufficient to sustain a strong higher education system
 - May not even be viable *after the C-Change*
 - *Allocation* fails to consider all sources of funds – Appropriations, Tuition, and Financial Aid (*ATFA*) in a cogent, philosophically sound set of policies
 - *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*

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Your Path To Chose: To sync or sink

- Incrementalism will spell disaster
 - System already at risk
 - Post C-Change, it will collapse without BIG CHANGE
 - Deprivation breeds conflict, which will degrade systems efficacy
 - Issue is more than catching up
 - Other states won't wait for you
 - Colorado needs to ramp up participation
 - Equity issues are huge – workforce needs requires action
- This challenge requires sustained effort
 - Can't be accomplished in one shot (or even in one term)
- But challenge is manageable with good planning and persistence.
 - Colorado can clearly afford this
 - But citizens and government will demand more for more