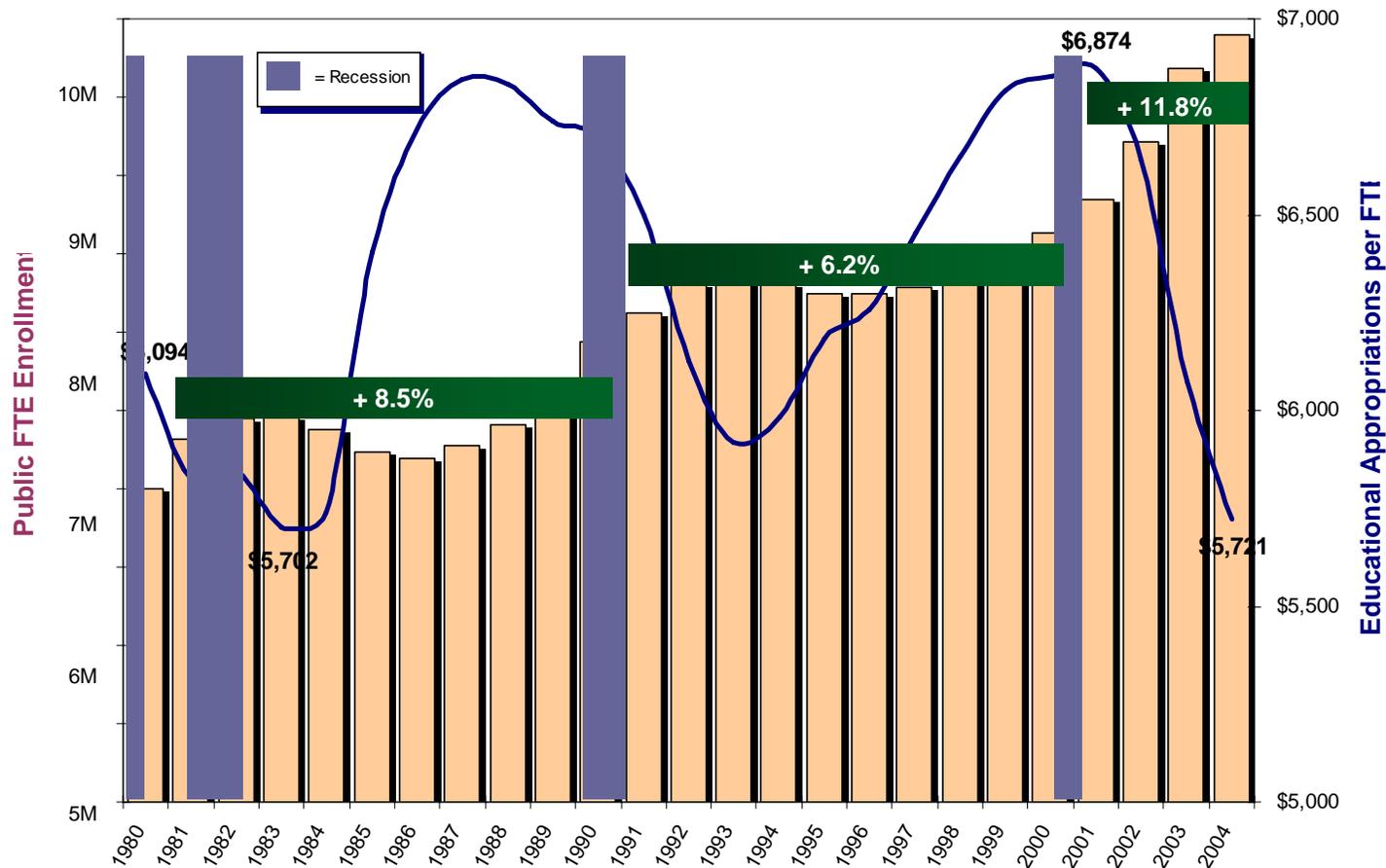


Recession, Retrenchment and Recovery
State Higher Education Funding & Student Financial Aid
Sponsored by the Lumina Foundation for Education

**Higher Education Funding &
Student Financial Aid
Symposium
October 20, 2006**

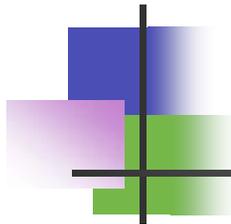
The Problem: National Trends since 1980

Educational Appropriations per FTE, U.S.,
Fiscal 1980-2004, Constant 2004 Dollars Adjusted by SHEEO HECA



FTE enrollment in public institutions has grown by more than 40% since 1980.

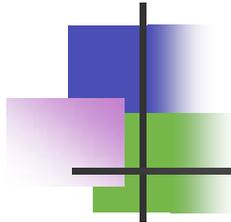
Enrollment growth since 2001 has already outstripped that of each of the previous two decades.



The Opportunity

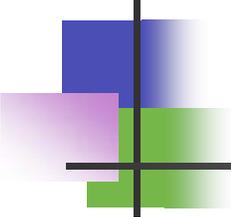
As the economy improves,
it is now time to plan for the next
recession

Symposium on Financing of Higher Education
April 2004



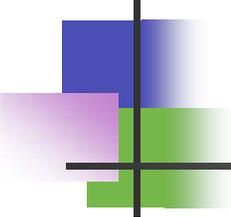
Project Goal

To identify and disseminate successful state-level strategies and policy tools to protect student access to postsecondary education



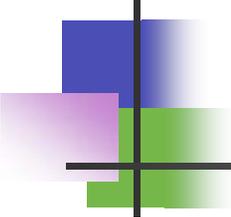
Project Partners

- National Association of State Student Grant and Aid Programs
- State Higher Education Executive Officers
- Center for the Study of Education Policy – Illinois State University



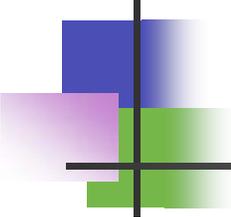
Data Set

- State Support: *Grapevine*
- Student Financial Aid: Annual NASSGAP Reports
- Enrollment: NCES
- Tuition & Fees: Washington HECB
- GDP & GSP: BEA
- Family Income: CPS
- CPI: BLS



Project Methodology

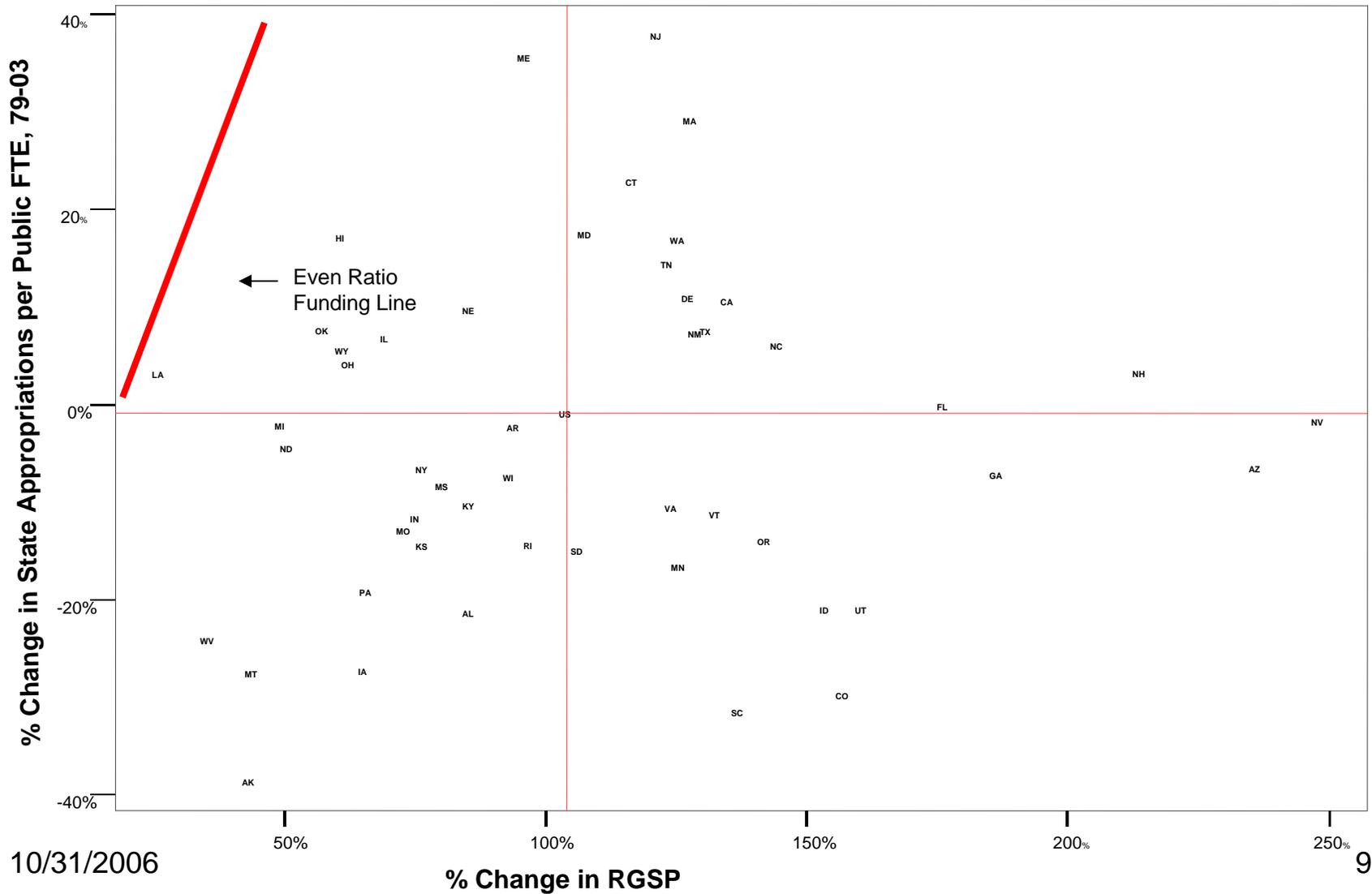
1. Economic & Fiscal Analysis – higher ed appropriations, financial aid expenditures & financial access
2. Survey of SHEEOs & NASSGAP Members
3. Interviews with policy leaders in selected states



Consequences of Recession

- How do national recessions affect states' economies and appropriations for higher education?
- To what extent was funding restored to higher education after the four previous recessions?
- Were states able to maintain financial access across recessions?

Percent Change Total State Appropriations per Public FTE to Real Gross State Product, 1979-2003



Percent Change in State Appropriations per Public FTE, 79-03

<p>1979-2003</p>	<p>Change in Real GSP Below Average Increase</p>		<p>Change in Real GSP Above Average Increase</p>	
<p>Appropriations per Public FTE Above Average Percent Change 1979-2003</p>	<p>Hawaii Illinois Louisiana Maine Nebraska Ohio Oklahoma Wyoming</p>		<p>California Connecticut Delaware Florida Maryland Massachusetts New Hampshire New Jersey New Mexico North Carolina Tennessee Texas Washington</p>	
<p>Appropriations per Public FTE Below Average Percent Change 1979-2003</p>	<p>Alabama Alaska Arkansas Indiana Iowa Kansas Kentucky Michigan Mississippi</p> <p>Missouri Montana New York North Dakota Pennsylvania Rhode Island West Virginia Wisconsin</p>		<p>Arizona Colorado Georgia Idaho Minnesota Nevada Oregon South Carolina South Dakota</p> <p>Utah Vermont Virginia</p>	

40%
0%
-40%

10/31/2006

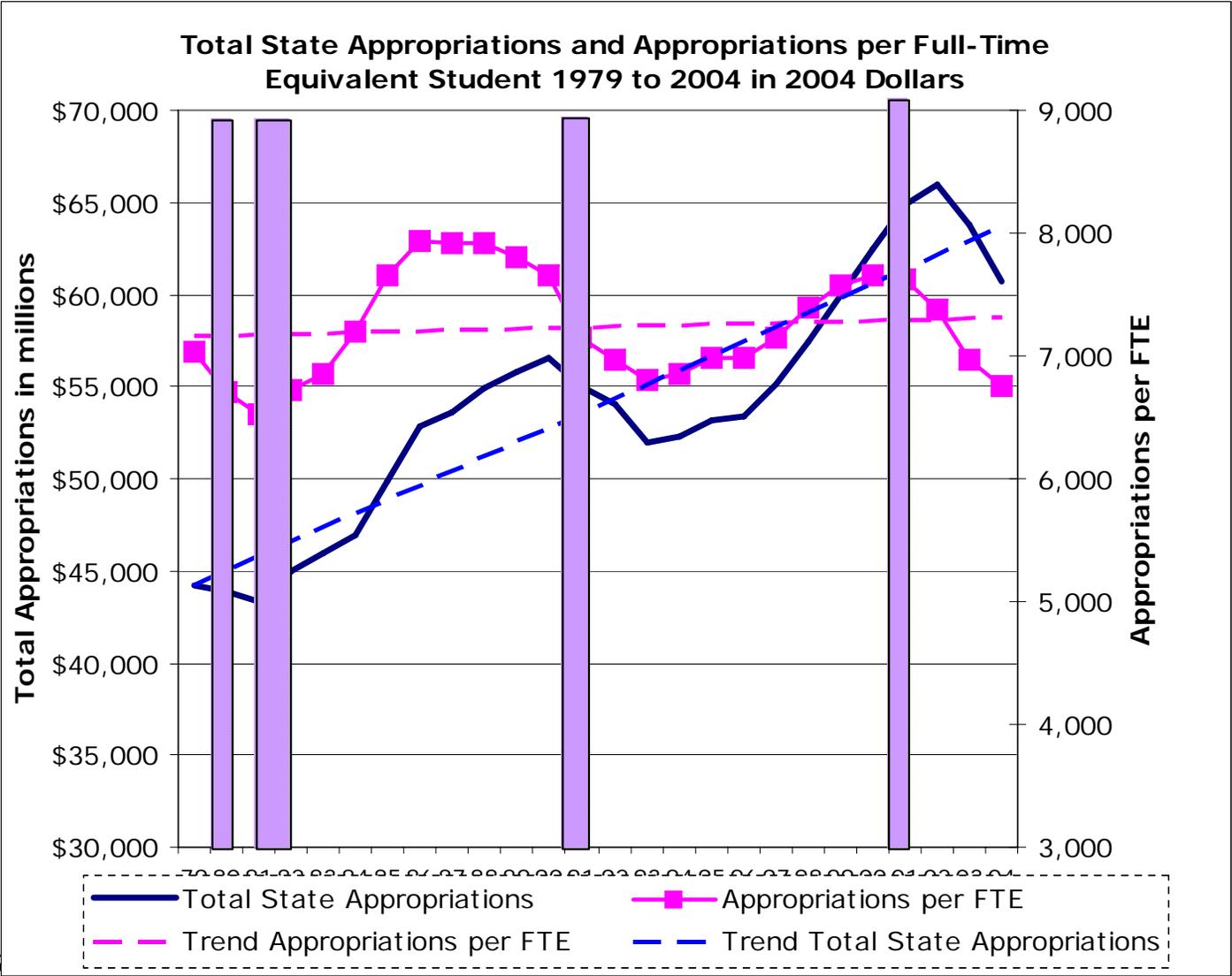
0%

100%

250%

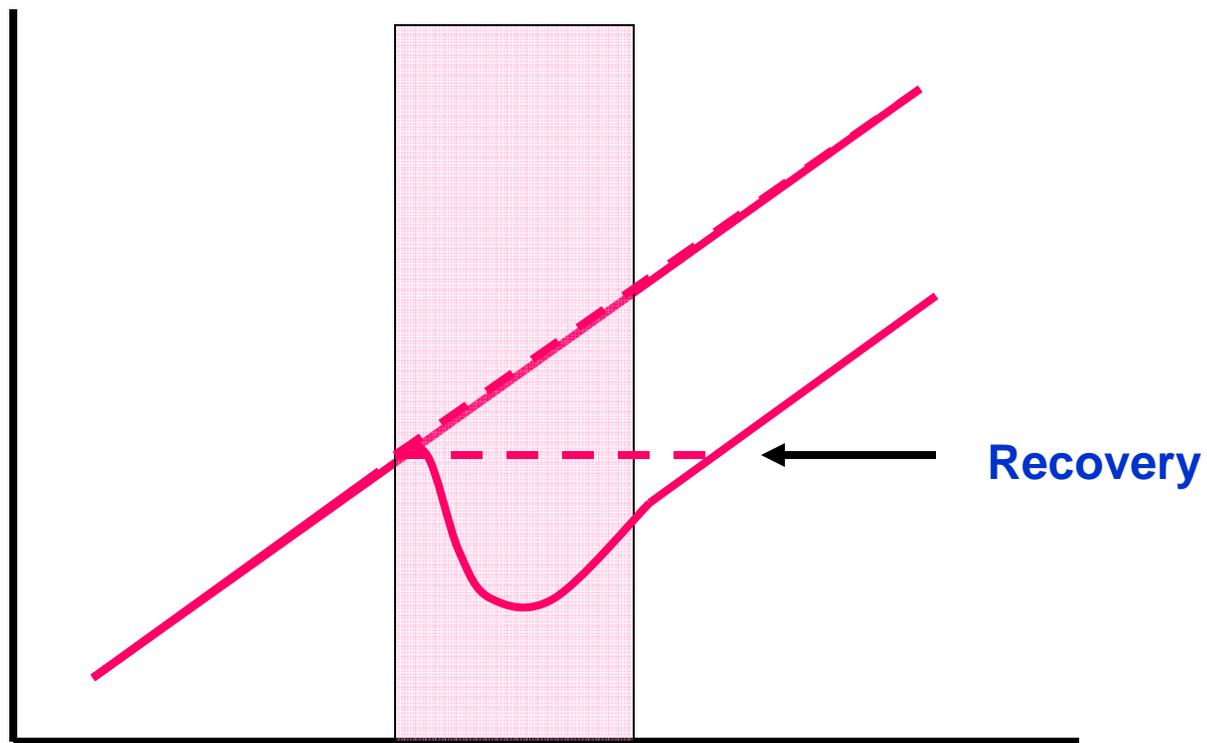
Percent Change in RGSP, CY78-02, in 2003\$

National recessions affect higher education appropriations



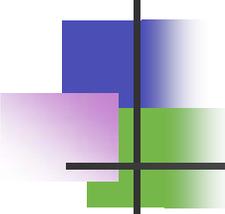
10/31/2006

What is Meant by “Recovery”



Appropriations Recession and Recovery

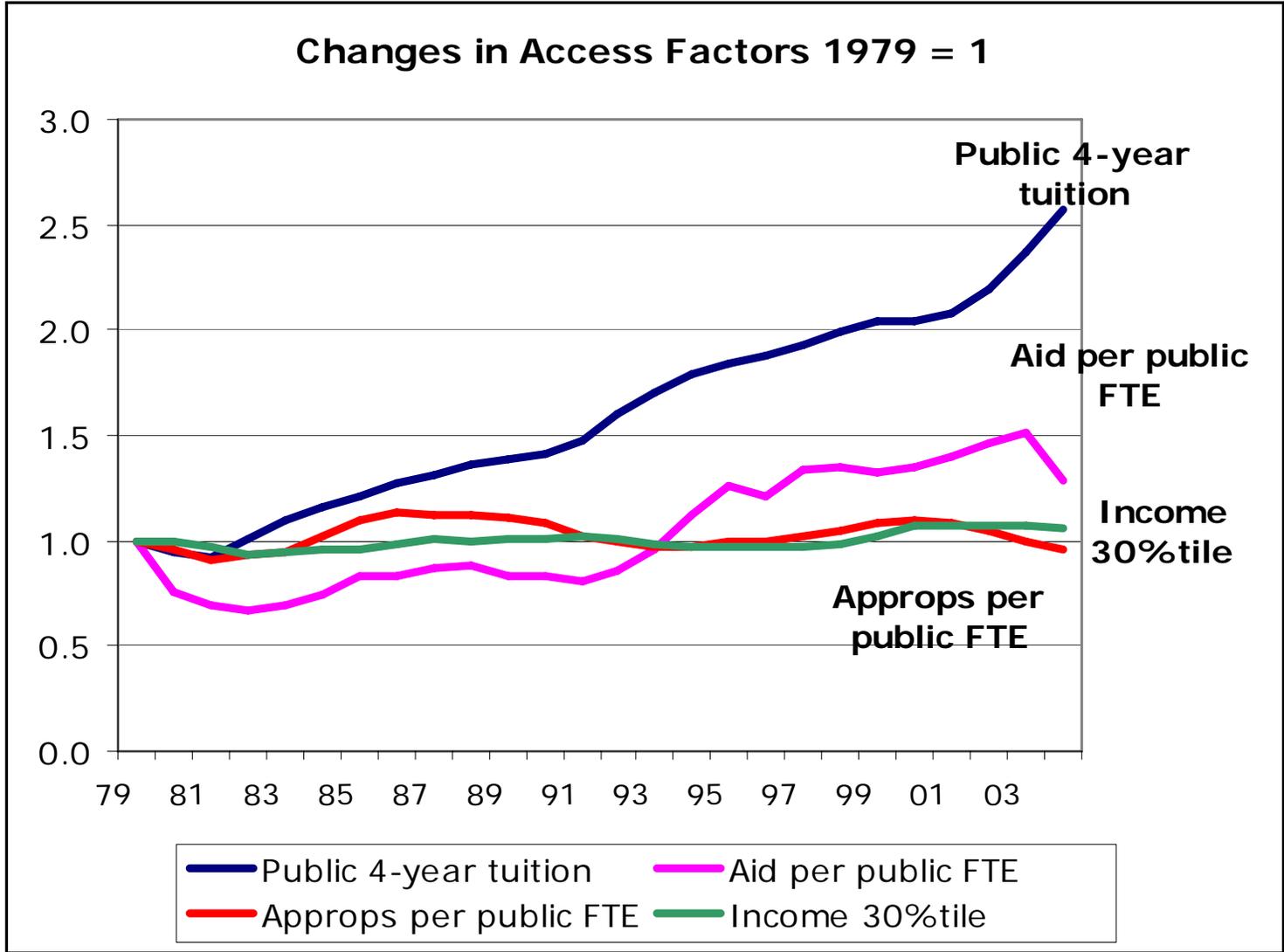
Recession	Decrease in Appropriations per FTE	National Recovery
1980	26 states	FY1984
1981-82	7 states	No Decrease
1990-91	38 states	FY1998
2001	44 states	?

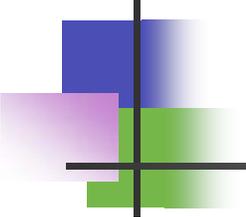


Appropriations 2001 Recession and Recovery

Number of States	Below 2001 approp/FTE	Recovered to 2001 Level
2001-2003	44	-
2004	45	1
2005	42	3
2006	30	12

10/31/2006





Financial Access

- the Balancing Act

- Aid-to-tuition Ratio (higher is better)

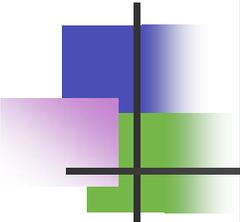
Public Need-Based Aid per FTE

Weighted Average Public Tuition

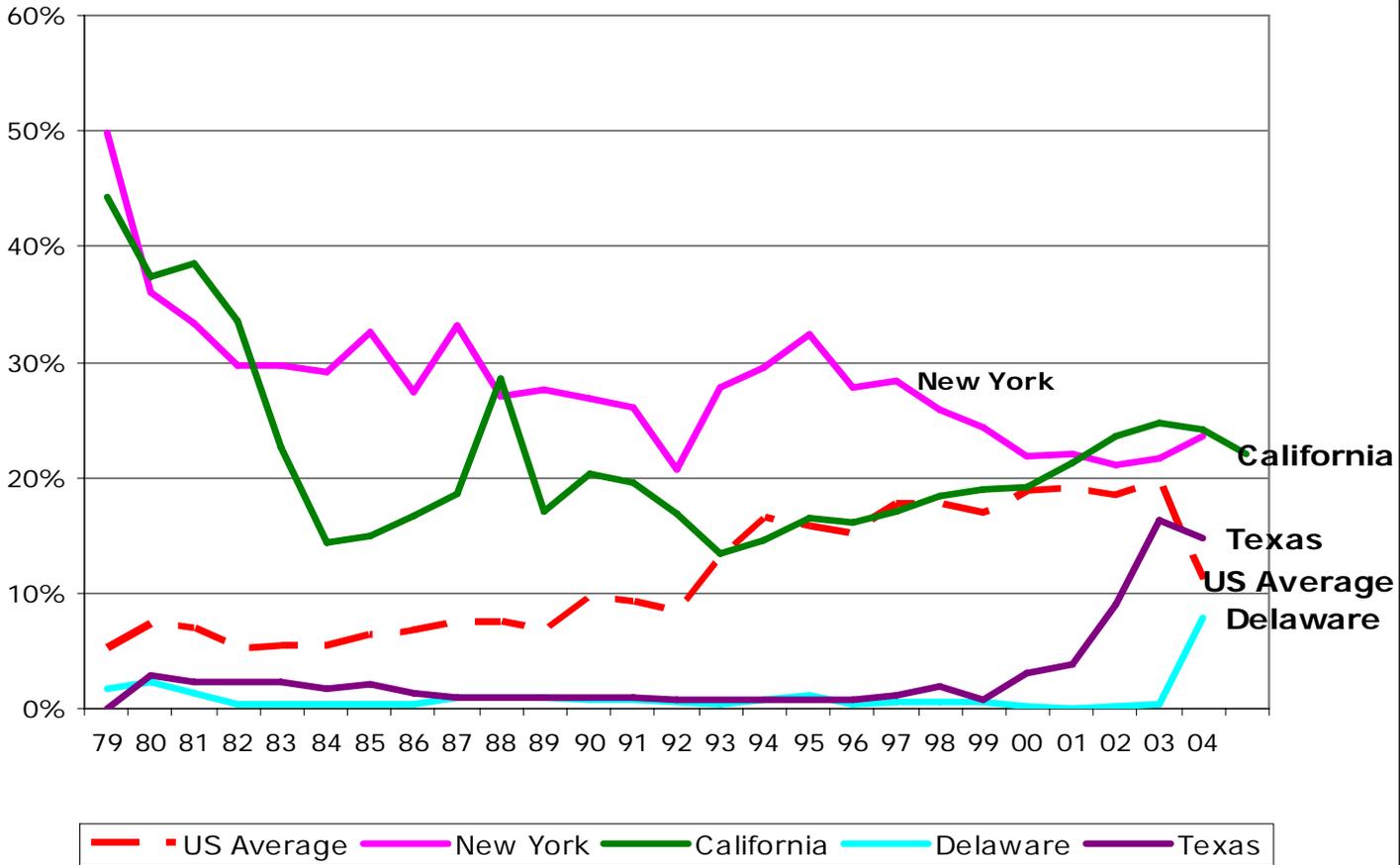
- Access-Cost Indicator (lower is better)

Average Tuition & Fees – Aid per FTE

30 Percentile Family Income



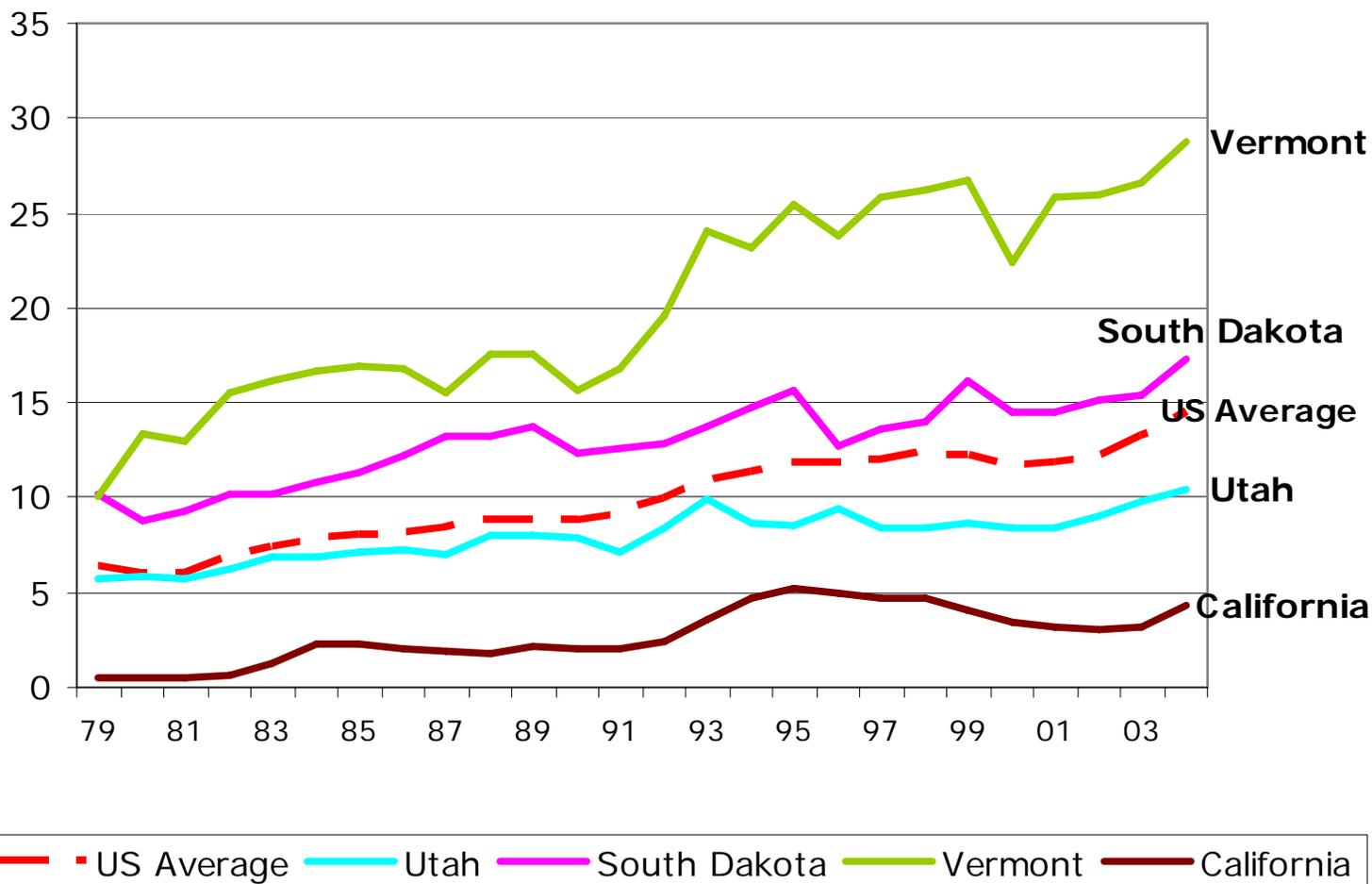
Aid-to-Tuition Ratio Selected States 1979-2004

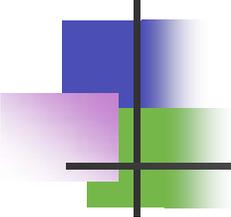


Aid-to-Tuition Ratio Recession and Recovery

Recession	Decrease in Aid-to-Tuition Ratio	National Recovery
1980	37 states	No recovery
1981-82	34 states	FY1985
1990-91	25 states	National average improved
2001	31 states	na

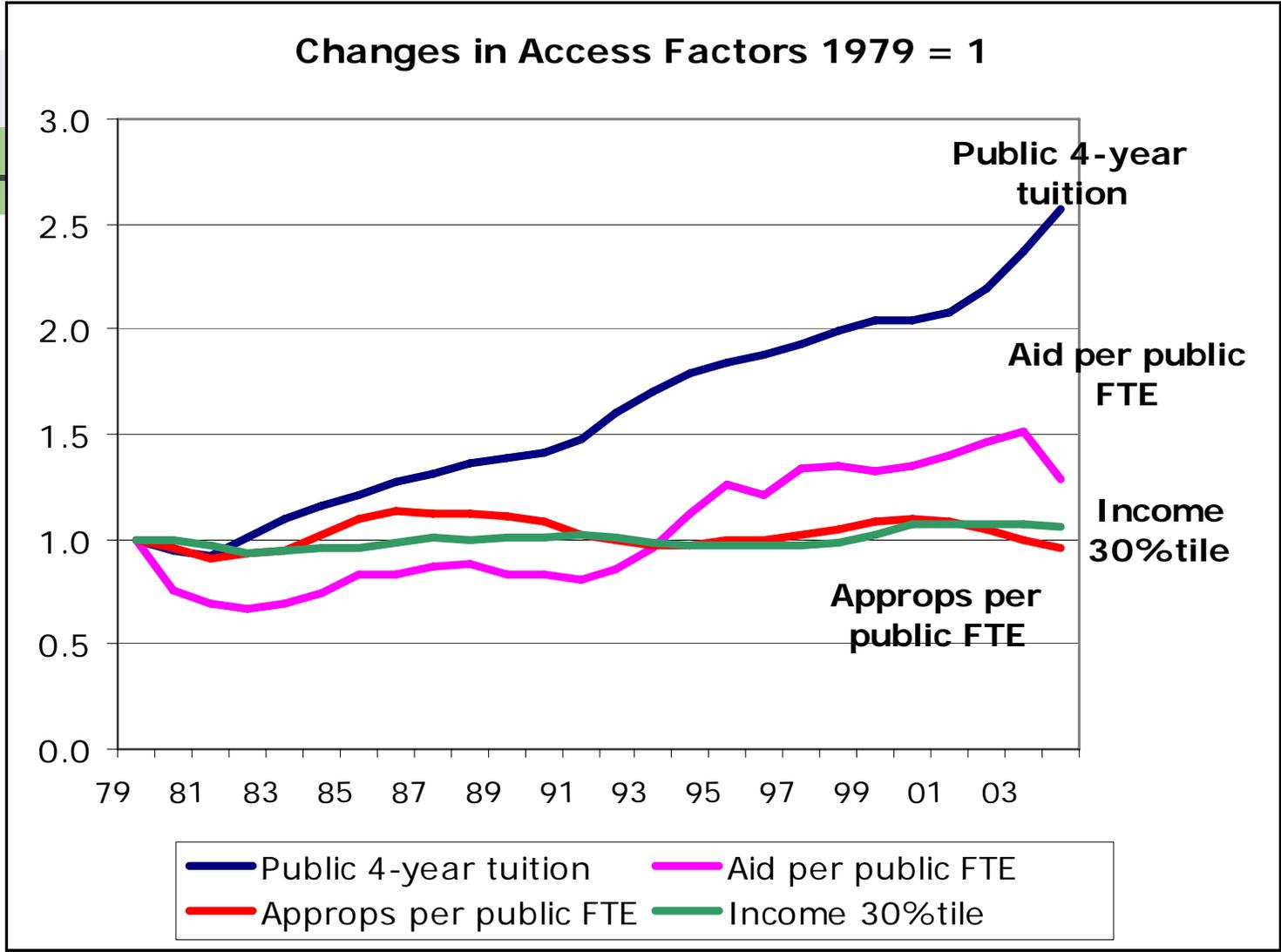
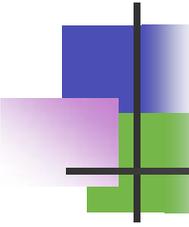
Access-Cost Indicator Selected States 1979-2004

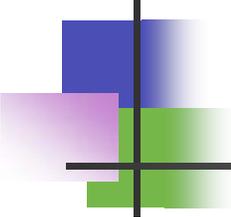




Access-Cost Indicator Recession and Recovery

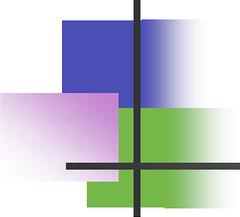
Recession	Decrease in Access-Cost Indicator	National Recovery
1980	42 states	No recovery
1981-82	44 states	No recovery
1990-91	43 states	No recovery
2001	44 states	No state recovered by 2004





Retrenchment: Impact of the 2001 Recession

What impact has the current recession had on states' higher education and student financial aid policies and priorities?



The Survey

Questionnaires

- 29 SHEEO
- 23 NASSGAP
- 27 Combined

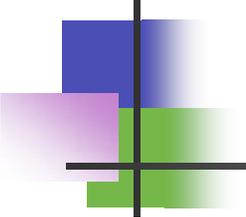
Total = 79

Respondents

- 23 SHEEO
- 13 NASSGAP
- 27 Combined

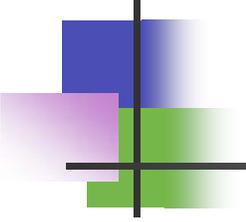
Total = 63

50 States



Research Questions

1. Since FY2001, what priorities have guided budget decisions?
2. What program and policy changes have been made in response to appropriations levels?
3. What strategies have states used to maintain financial access?
4. How do states regard their outlook for recovery?



Research Question #1

Since FY2001, what priorities have guided budget decisions?

Conclusion:

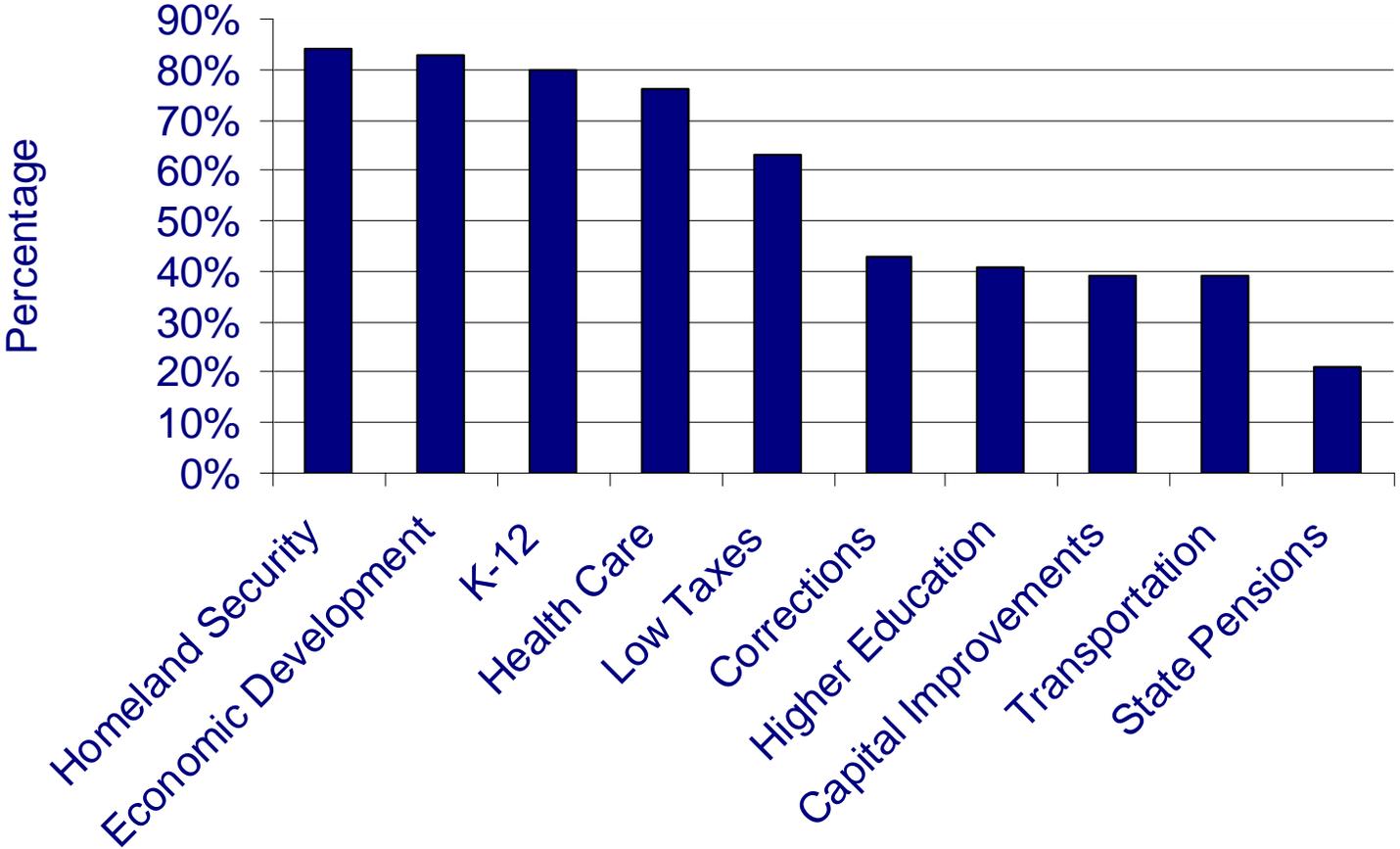
Statewide Funding Priorities

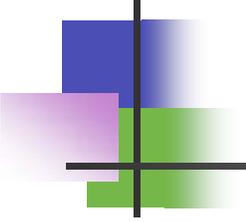
Higher education has become a lower funding priority since FY2001.

Homeland security and economic development have become more important priorities.

Statewide Priorities

% More Important Since FY2001





What they said...

“State expenditures have shrunk since FY2001 with the largest reduction coming from higher education.”

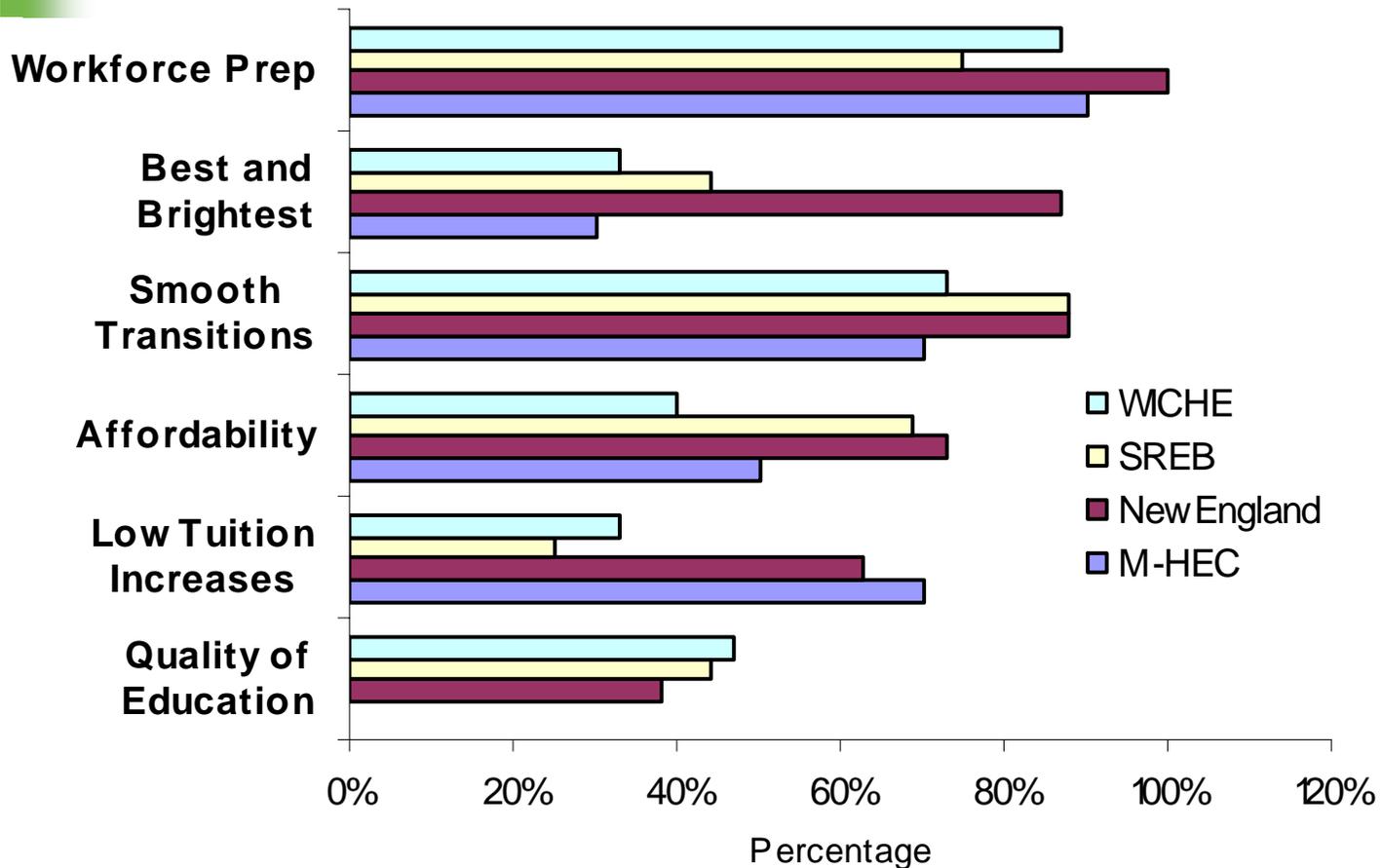
Conclusion:

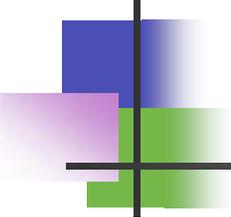
Higher Education Priorities

Workforce preparation and seamless transitions have become more important higher education issues since FY2001.

Student aid has been the top funding priority within higher education sectors.

Higher Education Priorities by Region





What they said...

"We've made steady progress in the argument for more aid... Quality education is no longer the state's highest priority as in past years."

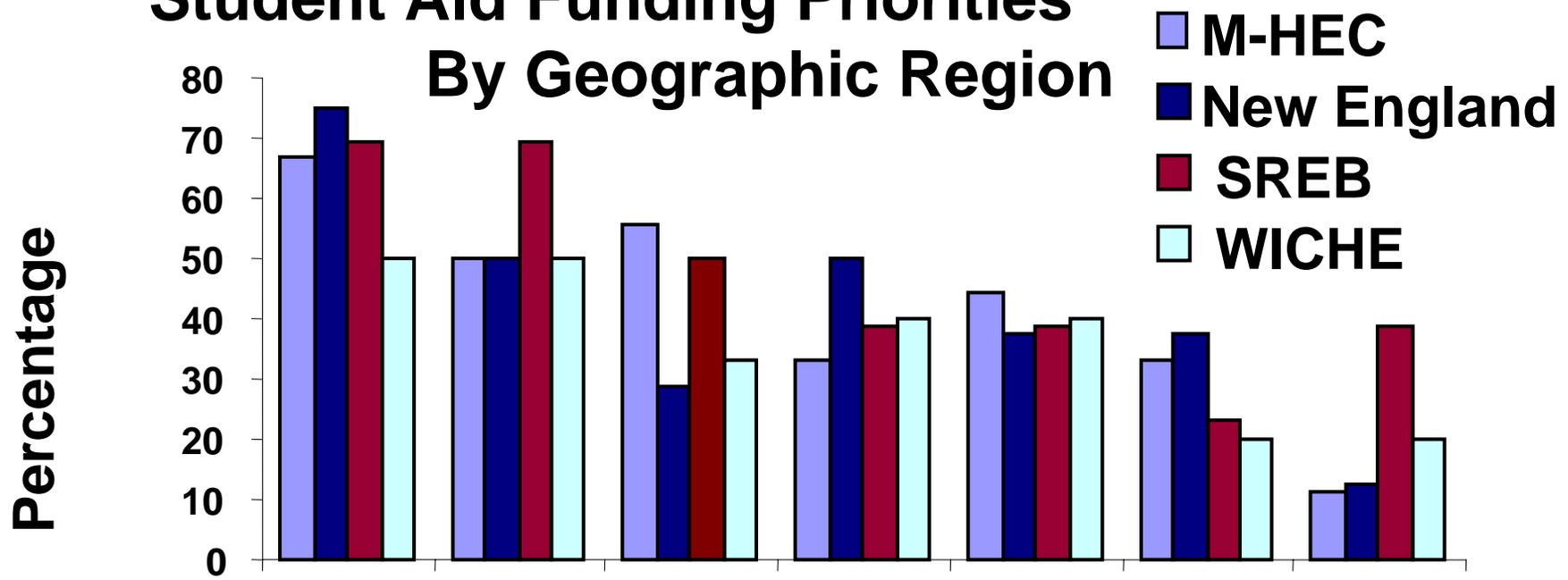
Conclusion:

Student Aid Funding Priorities

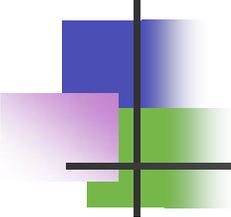
Focusing resources on low-income students has become more important and expanding merit-based programs, less important.

New student aid programs continue to be created that focus on nurse and teacher shortages and lower-cost loans.

Student Aid Funding Priorities By Geographic Region

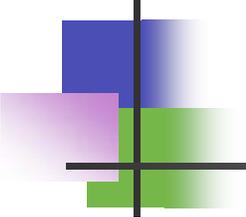


Resources for Low-Income
 Helping More Students
 New Initiative
 Increasing Max Award
 College Savings
 Covering Tuition Increases
 Expanding Merit-Based



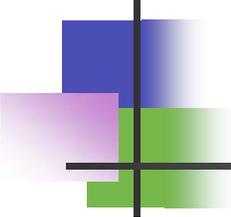
What they said...

“Given the number of students who are in need of assistance, and due to the increasing costs of higher education, greater emphasis must be placed on need-based aid.”



Research Question #2

What program and policy changes have been made in response to appropriations levels?

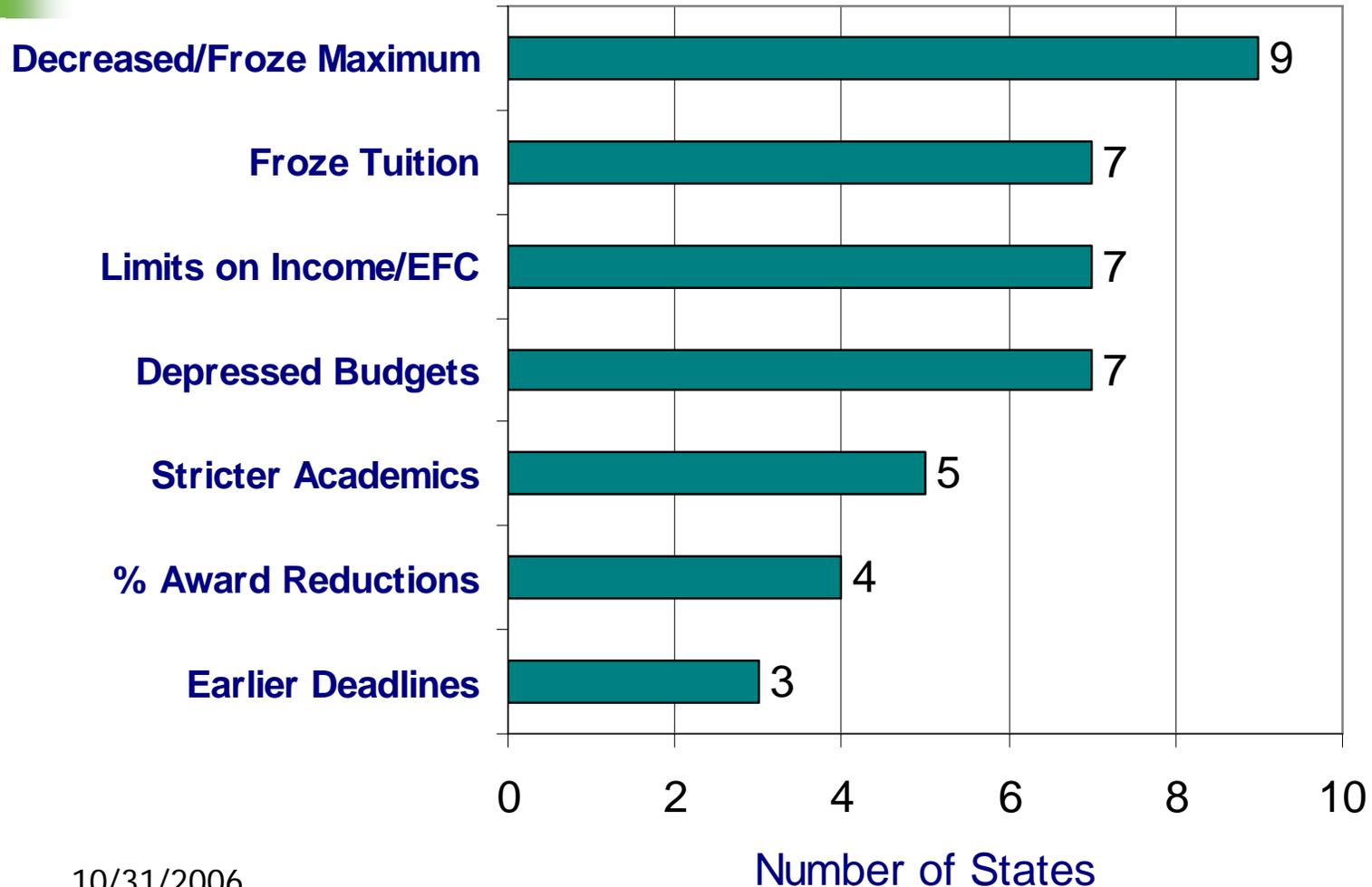


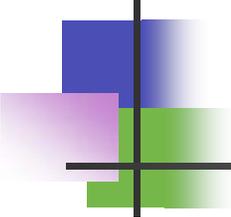
Conclusion:

State Need-Based Aid Programs

23 states made changes that either reduced the level of support provided to eligible students or eliminated students from eligibility.

Changes to States' Primary State Grant Programs Since FY2001





What they said...

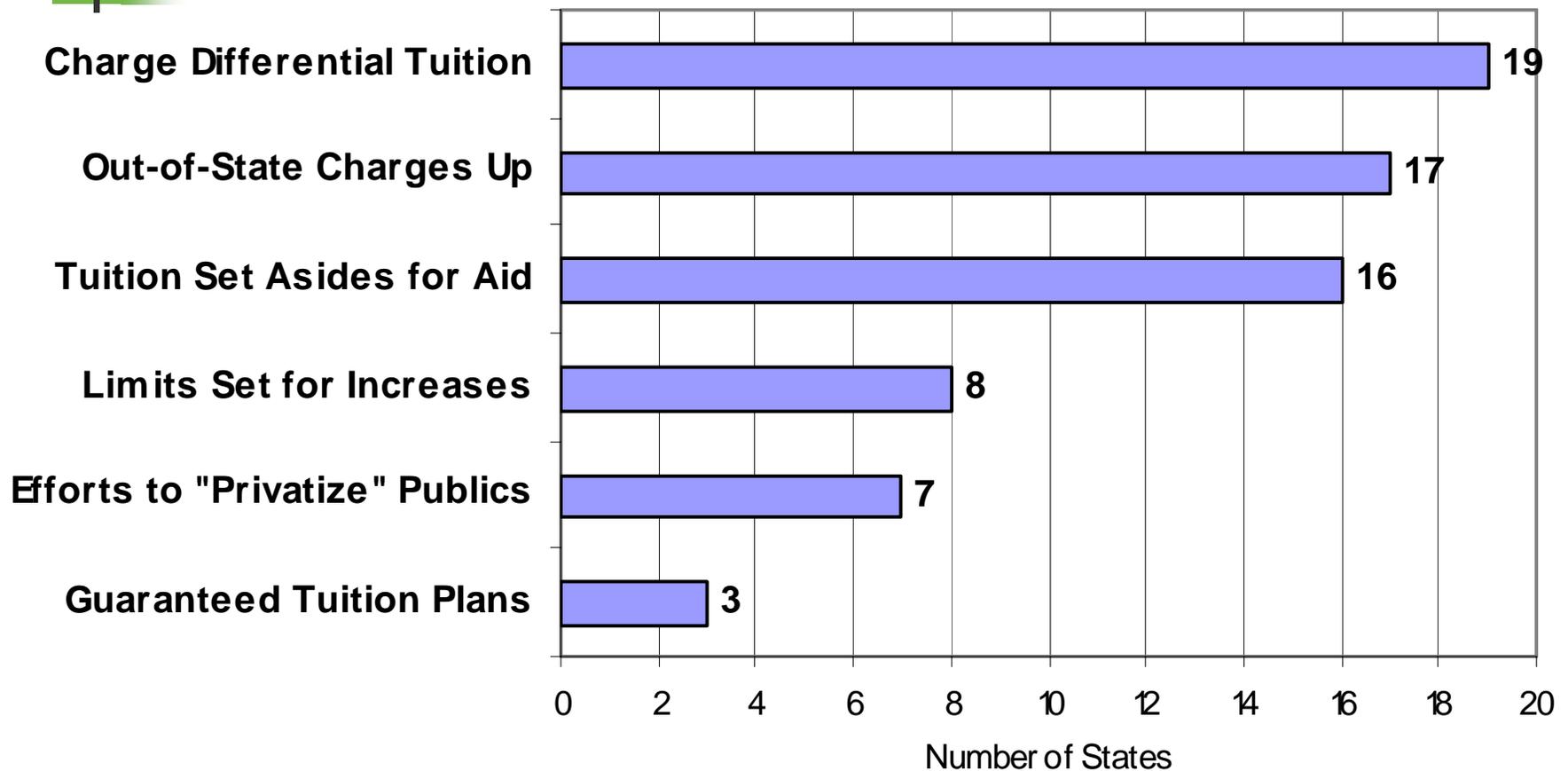
“Our grant program has been protected in the past two years, but only by using student loan operating funds to fill in. That source is no longer available.”

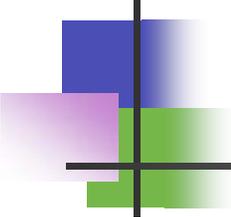
Conclusion:

Tuition Policy

- States are looking for creative and politically acceptable ways to increase revenue from tuition.
- Tuition offsets may represent a last-ditch effort to fund student aid when state funding is not forthcoming.
- The burden to support low-income students at public universities is being passed from tax payers to tuition payers.

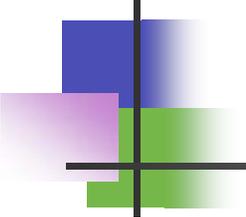
Changes in Public University Tuition Policy Since FY2001





What they said...

“Board policy provides that an ‘off-the-top’ set-aside of 15% of tuition revenue be dedicated to institutional student aid programs.”

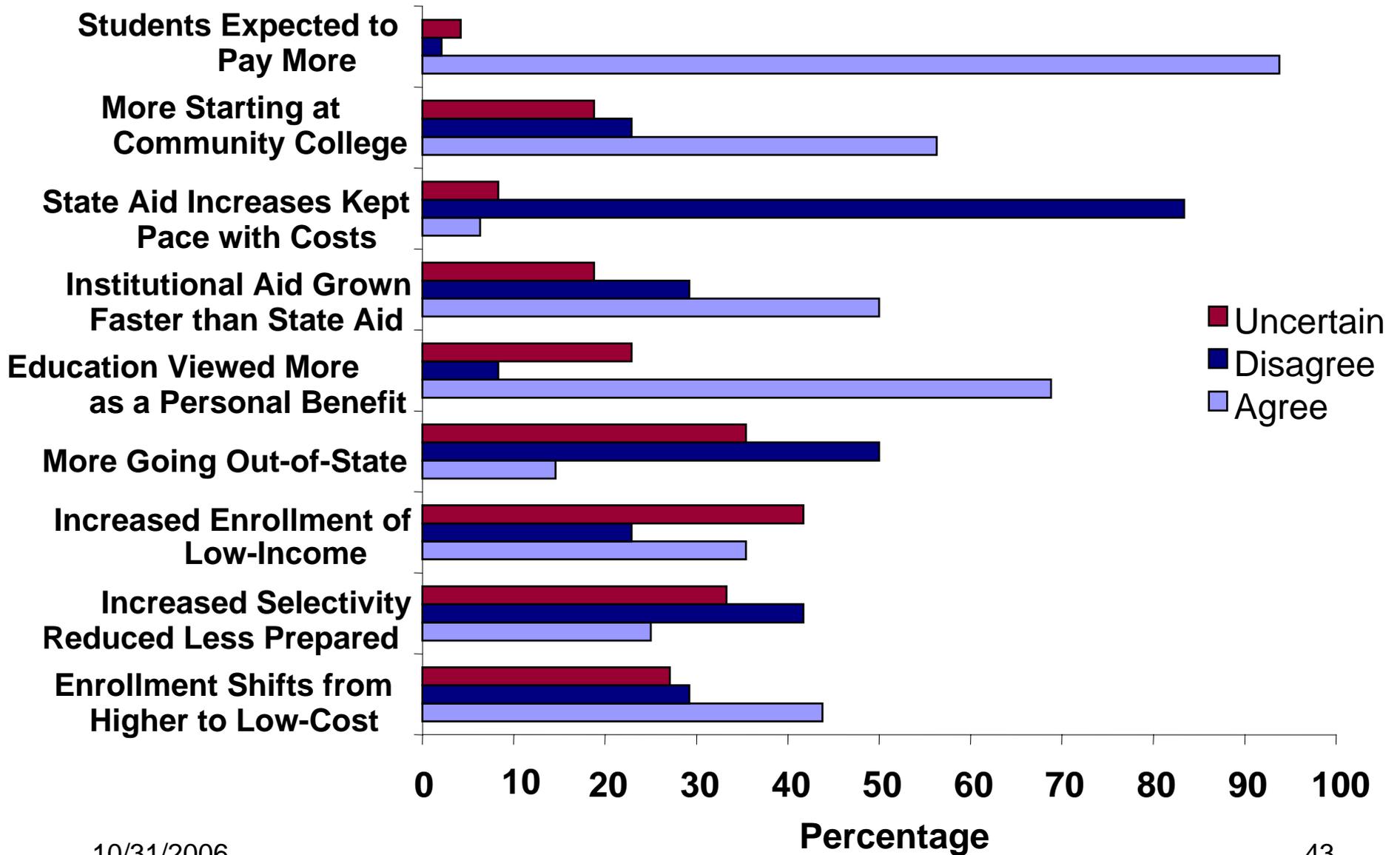


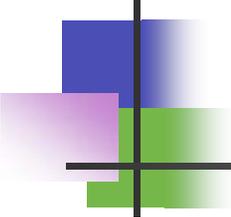
Conclusion:

Student Access

- A greater portion of the cost of college is expected to be paid by the student and education is more likely to be seen as a personal benefit even though economic development is a top state priority.
- Access is being limited as more students pursuing a bachelor's degree enroll at lower-cost or community colleges.
- The role of the state in providing student access has diminished.

Student Access Since FY2001

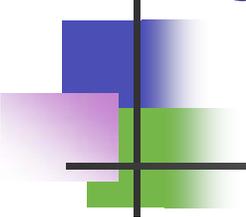




What they said...

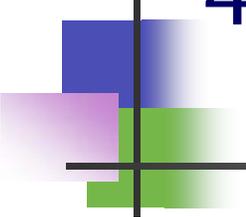
"The general public does not value education at any level and is unwilling to support with \$."

"Placing more funds in the hands of students makes them more 'valuable' to institutions and this increases their power to promote change and innovation."



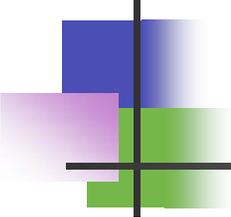
3. What strategies have states used to help maintain financial access?

- Roundtables/task force reviews: 12 states
- Linkage to economic development: 8 states
- Advocacy with the state legislature: 6 states
- Public awareness campaigns: 6 states
- Statewide planning: 5 states
- Coalition building: 4 states
- New financing strategies: 4 states
- Structural changes: 3 states
- Time-to-degree strategies: 2 states



4. How do states regard their outlook for recovery?

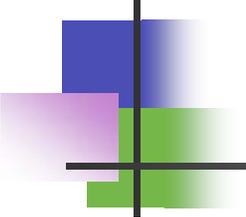
- 18 thought it looked promising
"Promising outlook for economic recovery. Concern that legislature may fund special interest programs advocated by lobbying groups without consulting SHEEO."
- 17 were more guarded
"Demographics dictate that we will not return to the same funding levels for higher education as in the past. Health care, human services and K-12 will increase their financial draw."



Outlook for recovery?

- 8 expressed great concern

“The state has reeled during this downturn and we are gravely concerned about the ability to reengineer the employment base from manufacturing to high technology/information.”



Concerns for the Future

- **State Tax Policy**

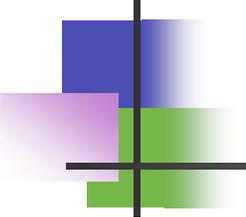
"...that tax cuts in the 1990s have produced structural problems and with no tax pledges all over the map, we will face tough funding issues."

- **Merit Aid**

"... that the state will continue to reward merit to further political goals rather than need-based aid to achieve public policy goals."

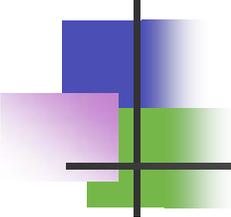
- **Influence of Public Institutions**

"... that the political power of the public institutions will outweigh the practical affect of student aid and its focus on students with the most need."



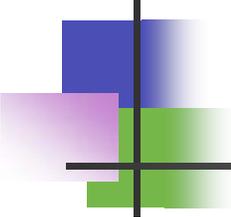
Recovery

What strategies can state higher education systems pursue now to prepare for the next recession in order to maintain financial access for their students?



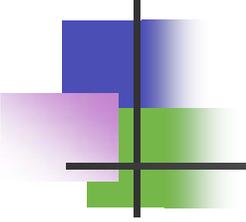
Selection of States

- Primary Selection Criteria
 - Access-Cost Indicator
 - Average
 - Change 1979-2003
 - Post 2001 Recession Change
 - Aid-to-Tuition Ratio
 - Average
 - Change 1979-2003
 - Post 2001 Recession Change



Selection of States

- Secondary Selection Measures
 - Region
 - Enrollment Size
 - Participation Rates
 - Population Educational Attainment
 - Community College Enrollment
 - Stability (smallest decrease) in Appropriations per FTE



State Interviews

- 7 states
- 54 policymakers
- 30 questions

Arizona

Kansas

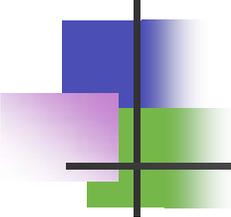
Illinois

Massachusetts

North Carolina

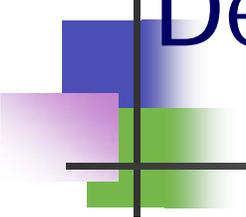
Texas

Washington



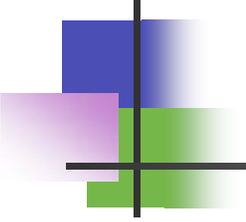
Successful Attributes

- **To what do you attribute your state's success in maintaining financial access for students?**
- **What advice do you have for other states seeking to improve financial access?**



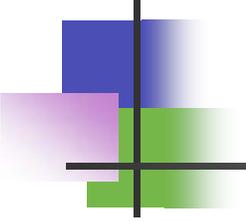
Defined Goals and A Coherent Plan

- **Develop a populist master plan from the grass roots level - up**
- **Work outside and inside the capitol**
- **Repeat planning process every 4-5 years**



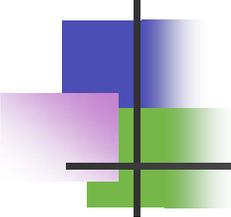
Clear and Consistent Message

- **Define access and affordability issues clearly in simple terms**
- **Identify student financial needs and what funds will be required**
- **Articulate the future**
- **Repeat the message over and over**



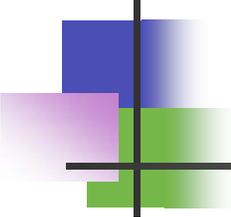
Student Aid Options That Meet State Goals

- **Articulate goals clearly**
- **Include students at public & private institutions**
- **Focus on need-based aid, not merit aid**
- **Concentrate on one primary need-based aid program**



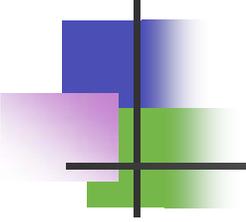
Focus on Students

- **Be an Advocate**
- **Hold low-income students harmless on tuition increases**
- **Involve students in tuition revenue spending decisions**



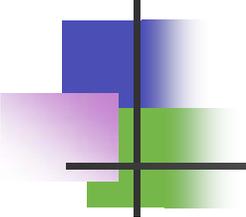
Higher Education Structure and Relationships

- What is the structure for higher education in the state?
- What are the relationships among key entities in higher education and affecting higher education in the state?
- How have higher education structure and relationships impacted financial access goals?



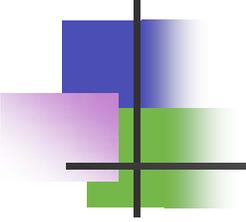
Develop Champions

- **Within state government**
- **Across party lines**
- **Among the general public/business community**
- **Maximize every opportunity for collaboration**



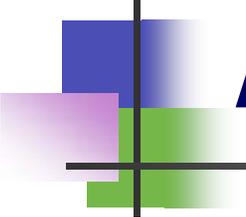
Commitment to Access and Affordability

- **Strongly held values**
- **Constitutional or legislative provisions**
- **Strong state and campus leaders**



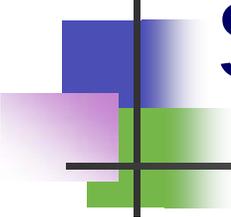
Coordination

- **All sectors speak with a unified voice**
- **Leadership by SHEEO and flagship president**
- **Higher Education and Policy Leaders working together**
- **Higher Education collaborating with business**



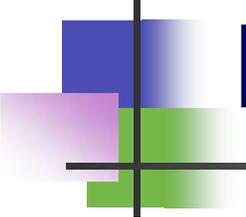
Major Challenges in Financial Access

- **What major challenges to financial access has your state faced in recent years?**
- **What are the current financial access issues in your state?**
- **How are these financial issues being addressed?**



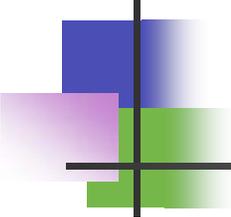
Financial Access Issues in All Seven States

- **Rapid Growth in Hispanic Student Enrollment**
- **Financial and Geographic Access**
- **Balancing Tuition and Financial Aid**
- **Competition for Scarce Resources**



Financial Access Issues Mentioned in Some States

- **Guaranteed tuition rates**
- **Students' debt burden**
- **Structural deficits in the states**
- **Community colleges (transfer, articulation, offering the baccalaureate?)**



Recovery and Beyond

Strategies for Maintaining Financial Access

Recommendations

- Strategies for Recessions

1. **Develop strategies for maintaining financial access through recessions**
 - **Structural Budget Deficits**
 - **No-Tax Political Environment**
 - **National Recession = State Recession**

Recommendations

- Financing

2. **Balance tuition increases with need-based aid**
3. **Explore new aid financing strategies**

Recommendations

-State's Role

4. **Reaffirm the state's role in providing student aid**
5. **Design aid program to meet state goals**

Recommendations

- Communications

6. **Clearly define goals and develop a coherent plan for student access**
7. **Present a clear and consistent message on access**

Recommendations

- Leadership

8. **Foster and support higher education leadership**

9. **Develop champions for higher education**

Recommendations

- Commitment to Access

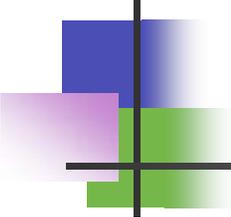
- 10. Foster a commitment to access and affordability**
- 11. Focus on and advocate for students**

Recommendations

- Set the Agenda

- 12. Improve awareness of higher education's contributions to economic development**

- 13. Anticipate emerging issues**



Recommendations

- Collaboration, Communication & Credibility

- 14. Emphasize collaboration, communication, and credibility**