

Meeting Higher Expectations in Challenging Times



Presented by
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NCHEMS

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Expectations

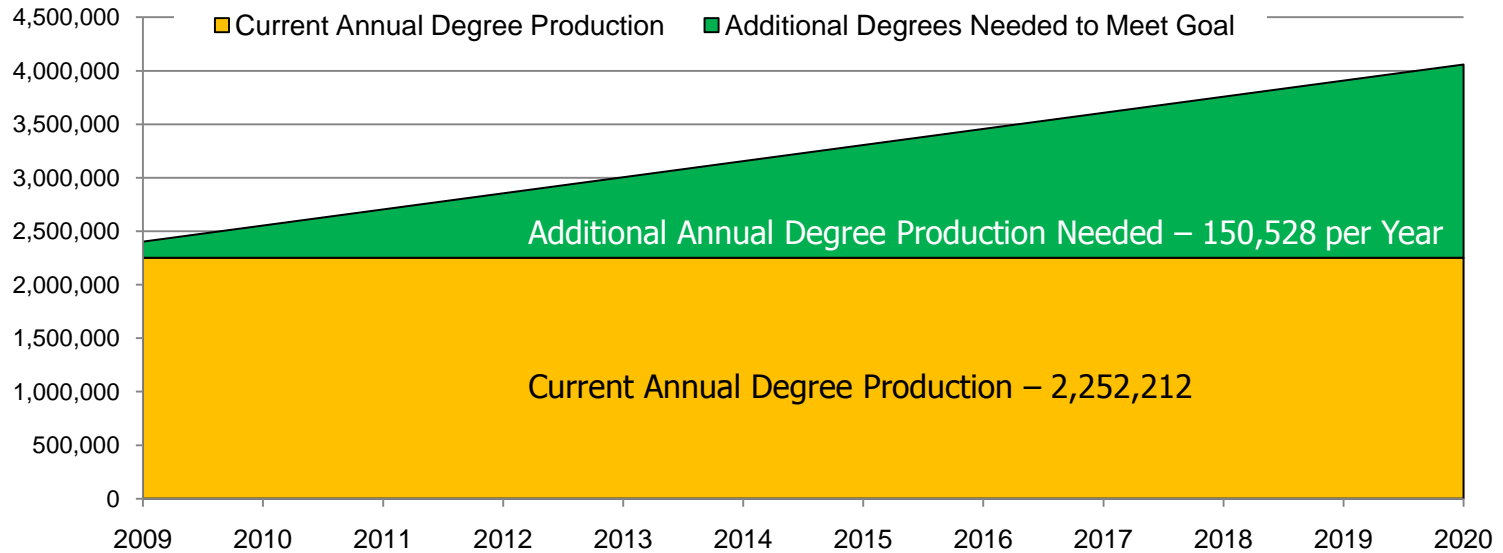
- Maintain access – serve an increasing number of students
- Improve success – increase overall attainment
- Sustain quality – ensure learning and degree results appropriate to future needs
- Maintain affordability to both students and the state

The Expectation

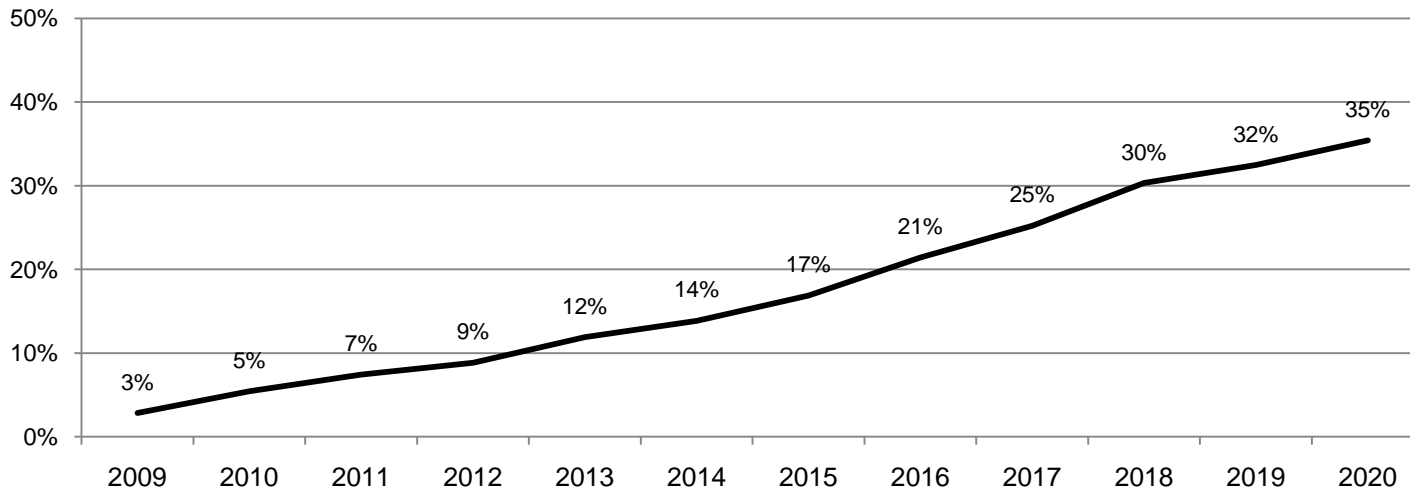
“By 2020, America will once again have the highest proportion of college graduates in the world”

President Barack Obama, February 24, 2009

Associate and Bachelors Degrees Needed to Become the Most Educated Country by 2020

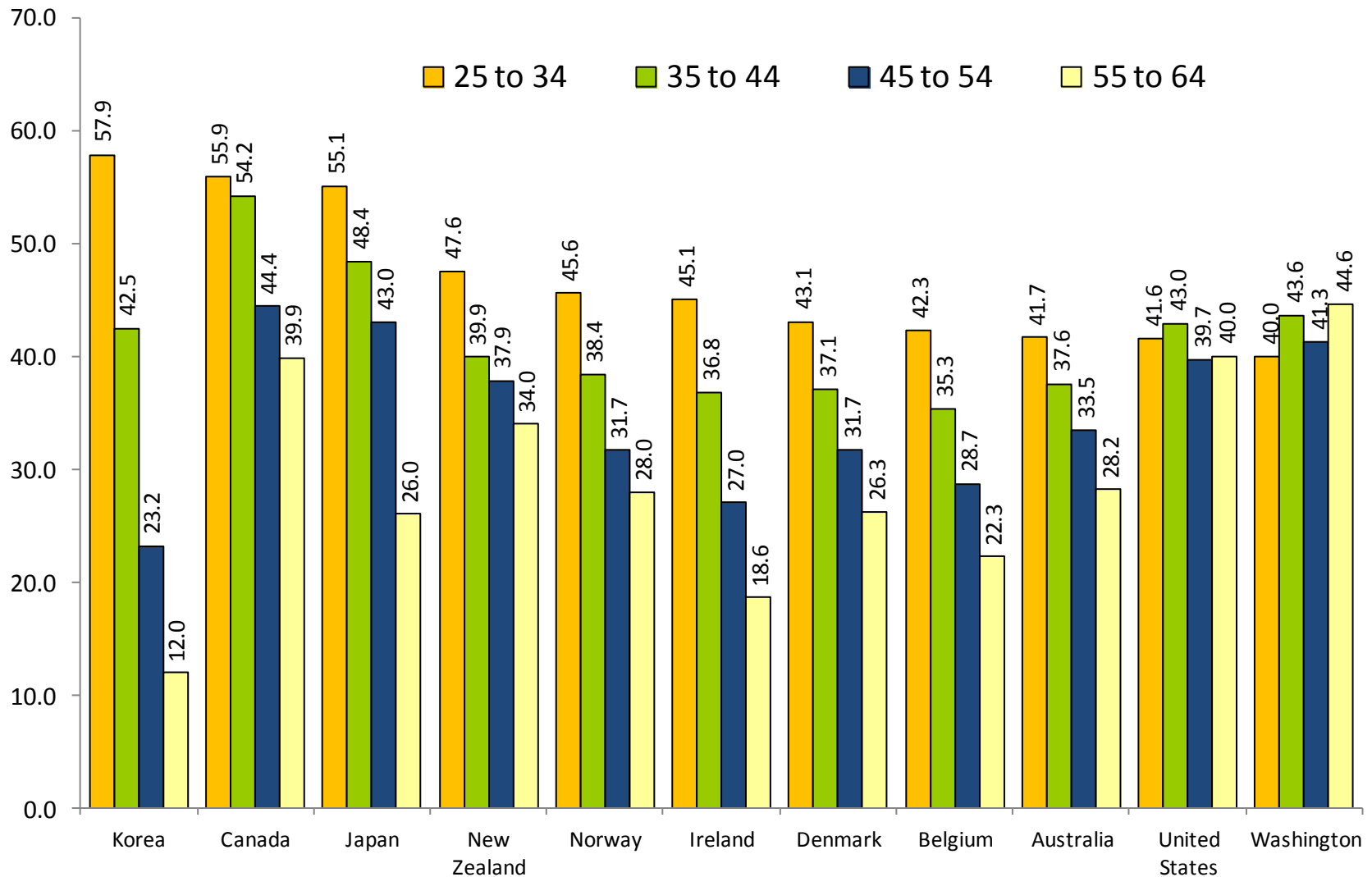


Increase in State and Local Funding at Current Cost per FTE



Note: Assumes private institutions will maintain current share

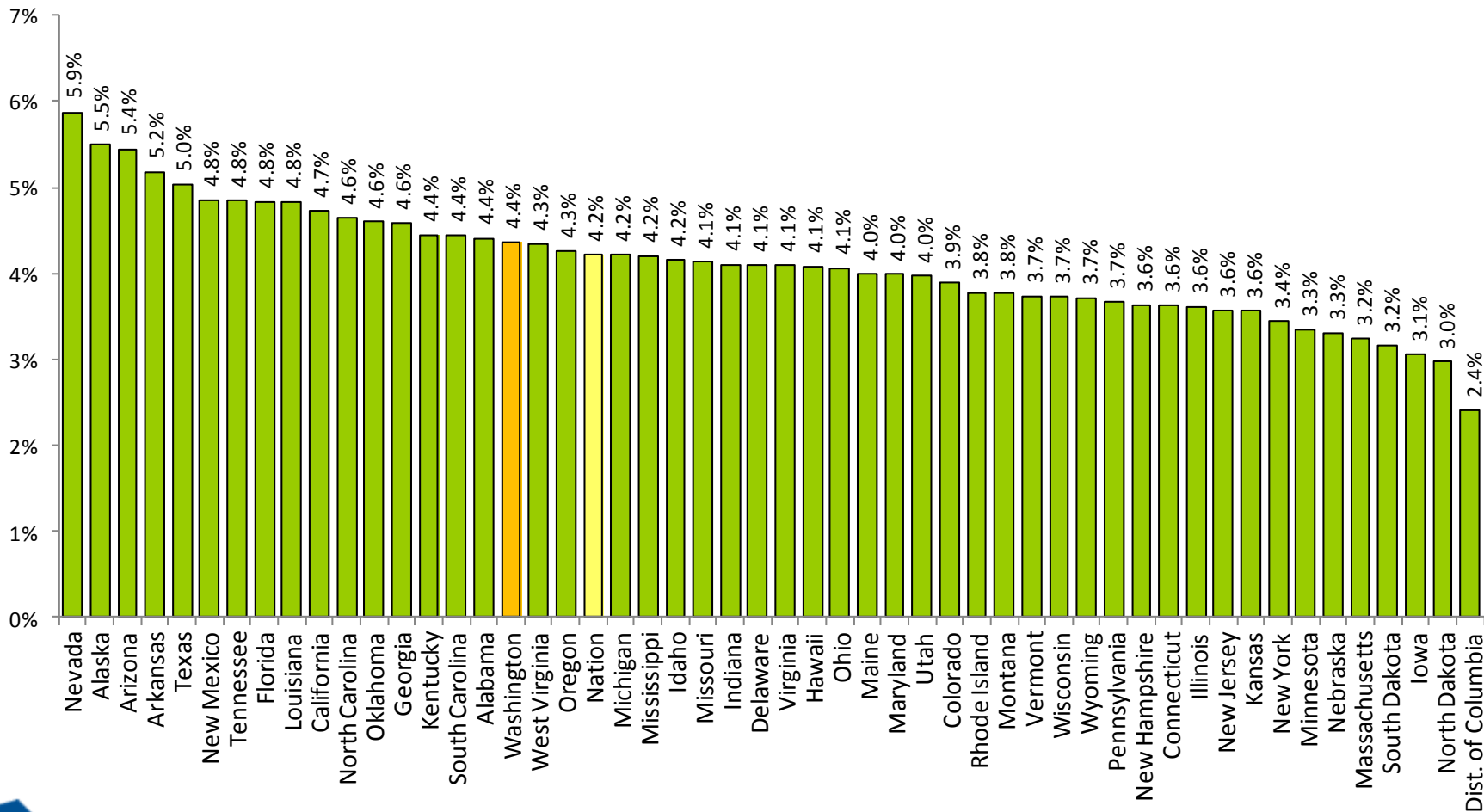
Percent of Adults with an Associate Degree or Higher by Age Group – U.S. & Leading OECD Countries



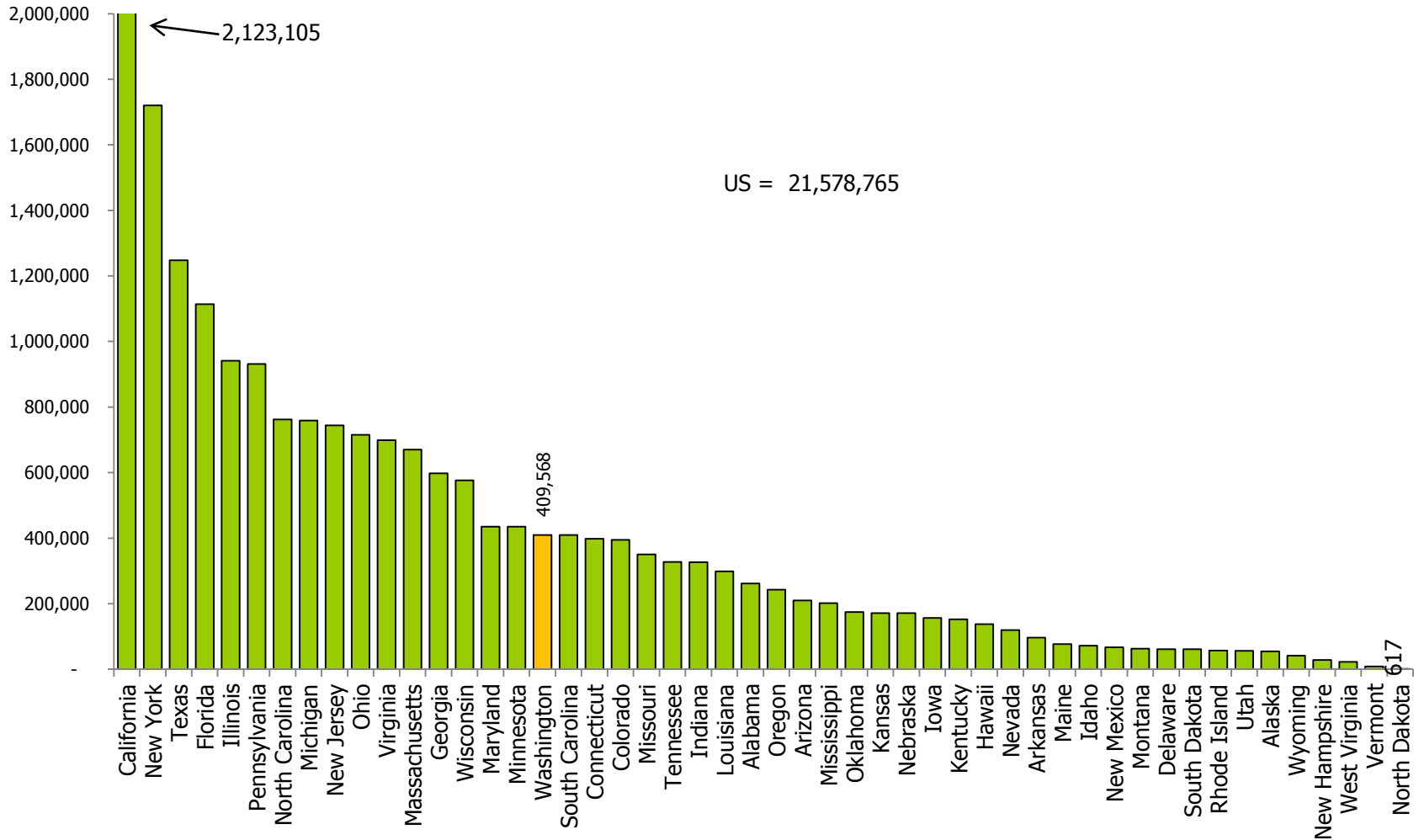
Source: OECD, Education at a Glance 2010

State Contributions to Closing the U.S. Gap of 8.2 Million Undergraduate Credentials by 2020

Average Annual Increase In Credential Production Needed (%)



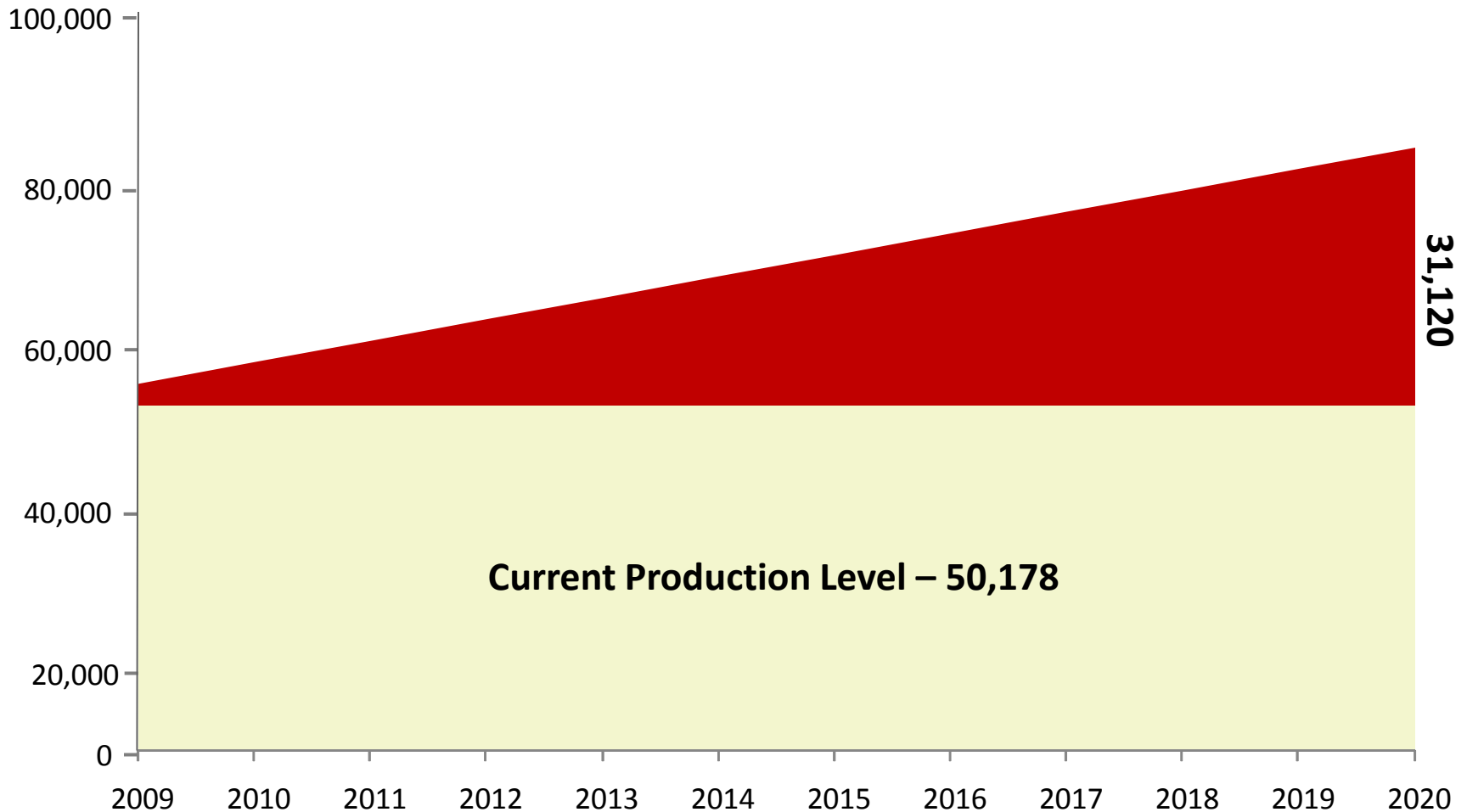
Additional Degree-Holders Needed to Close Racial/Ethnic Gaps Between Whites & Minorities, 2005-07



The National Goal is

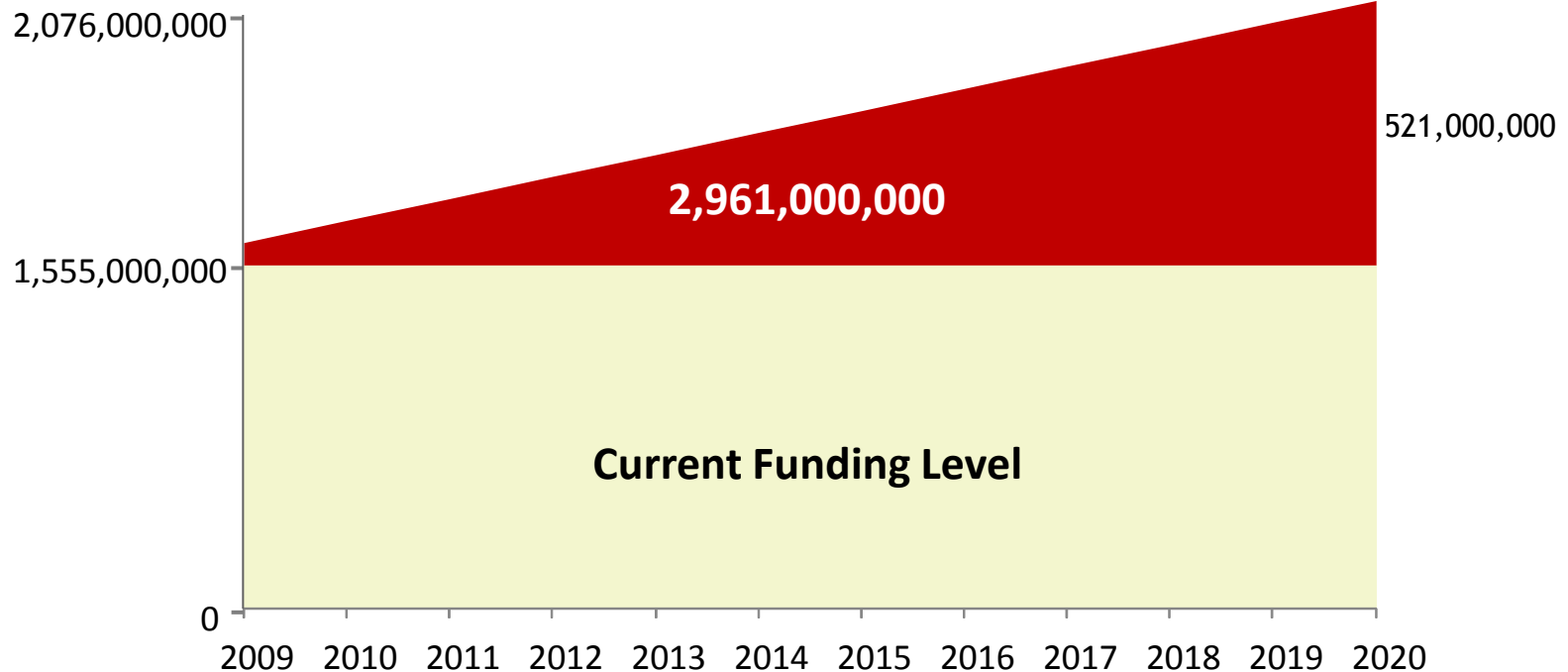
- Consistent with the goals specified in the 2008 HECB Strategic Master Plan
- Essentially the same as the Washington plan (would require production of 81,000 AA & BA degrees rather than the target of 78,600)

Meeting Washington's Share of the National Goal – A 4.3% Increase Each Year



If Washington Were To

- Continue business as usual
- Hold tuition constant
- State funding would have to increase 33.5% over the period from now until 2020

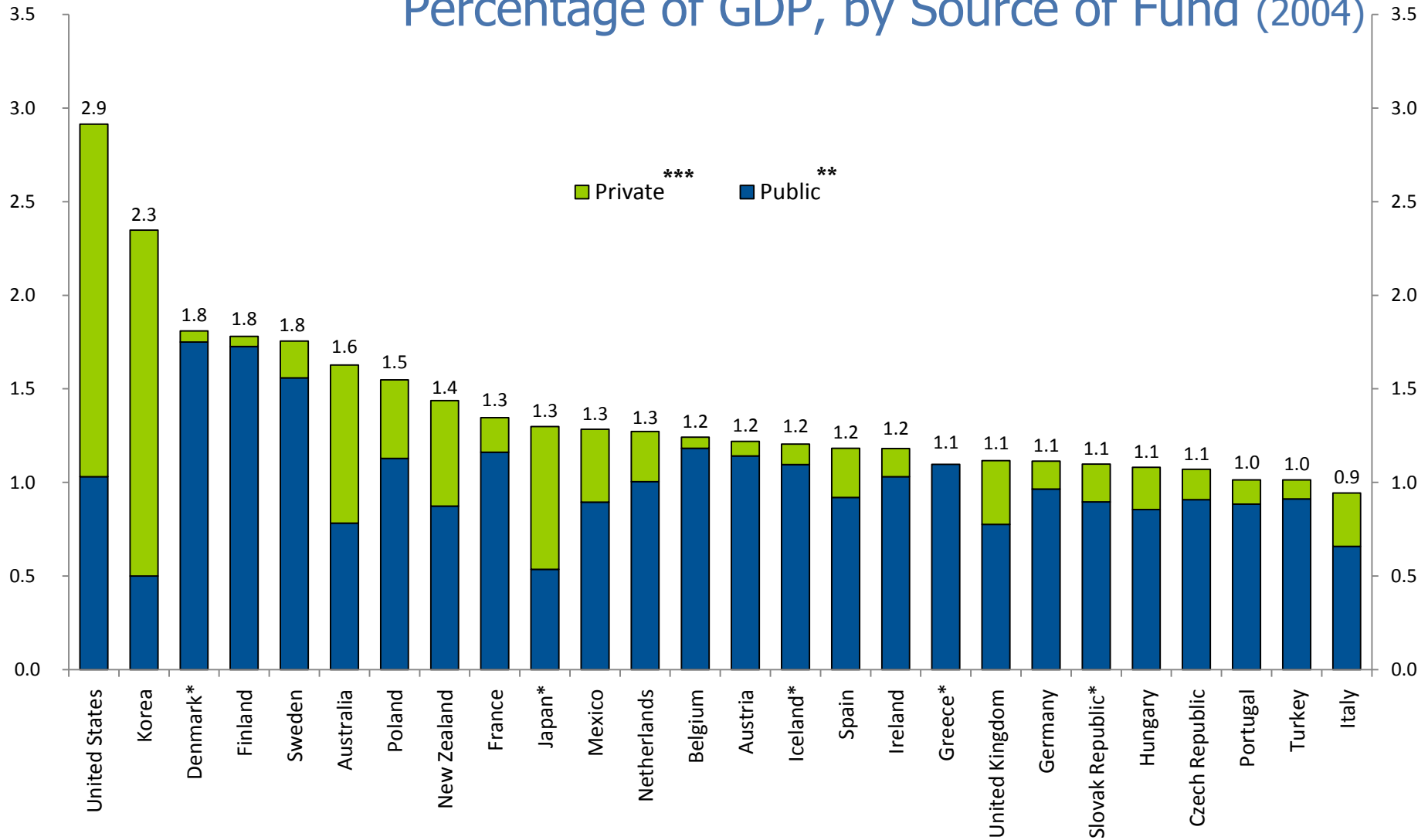


Alternatively, if Washington Were To

- Continue business as usual
- Hold state appropriations constant
- Tuition revenues would have to increase by
 - 25% at research universities
 - 32% at other 4-year universities
 - 68% at community colleges

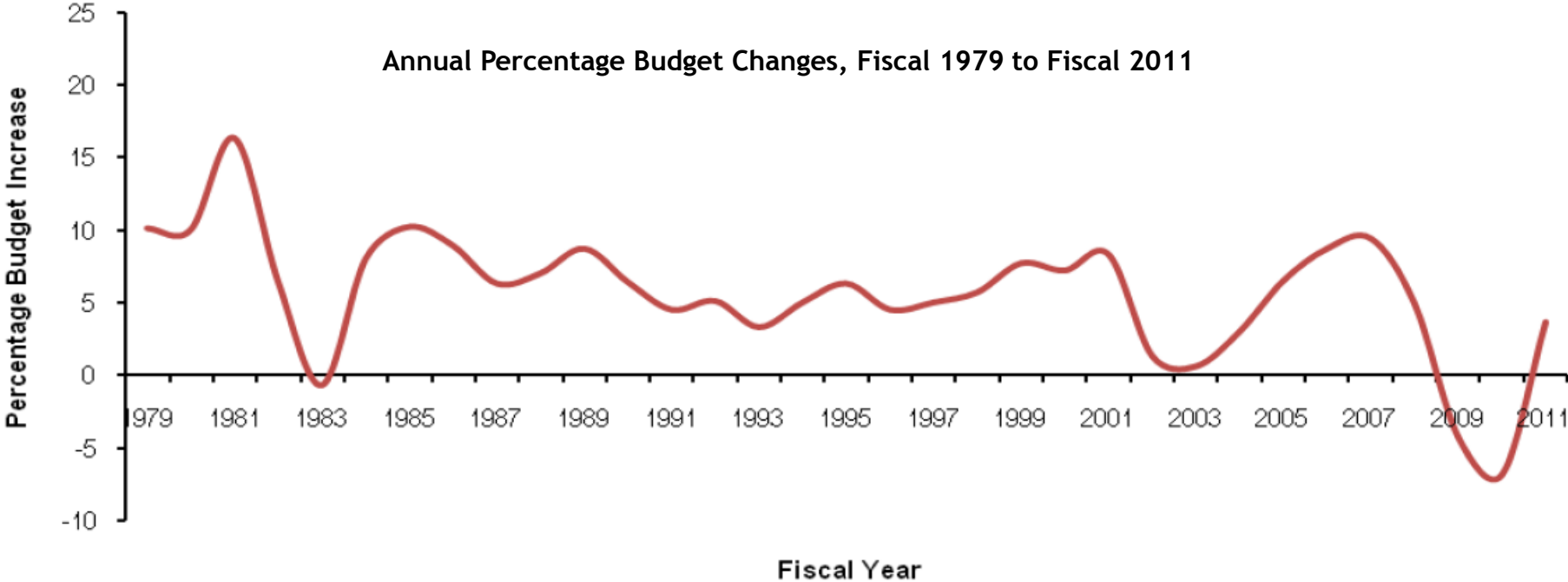
The Fiscal Realities

Expenditures on Tertiary Educational Institutions as a Percentage of GDP, by Source of Fund (2004)



*Including public subsidies to households attributable for educational institutions, as well as including direct expenditure on educational institutions from international sources.
 **Some levels of education are included with others
 ***Net of public subsidies attributable for educational institutions. Source: OECD.

Expenditures

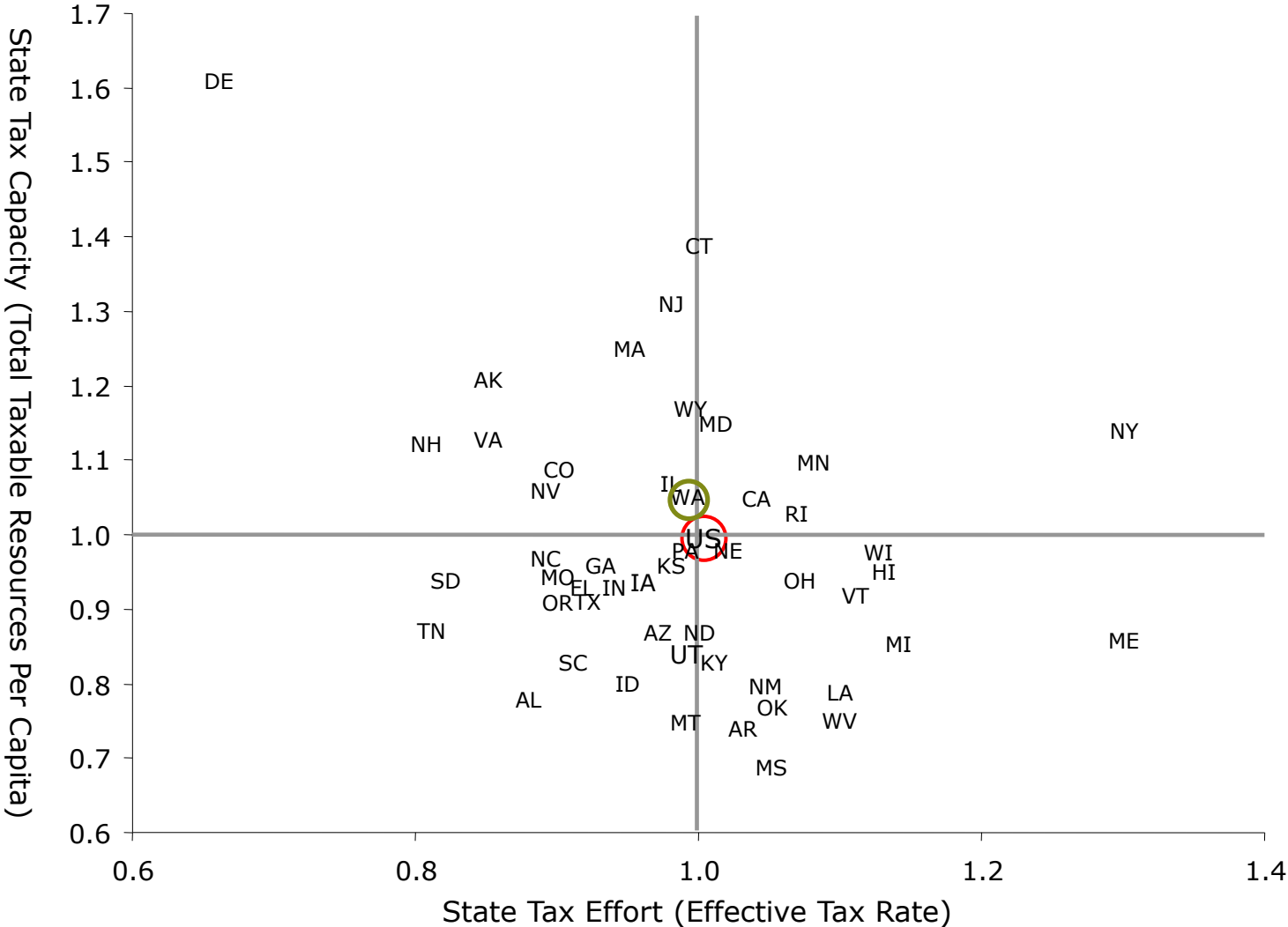


Source: National Association of State Budget Officers

Washington Projected Budget Gaps

FY2012	-\$1.156 B	-6.5%
FY2013	-\$1.897B	-9.9%

State Tax Capacity & Effort Indexed to U.S. Average

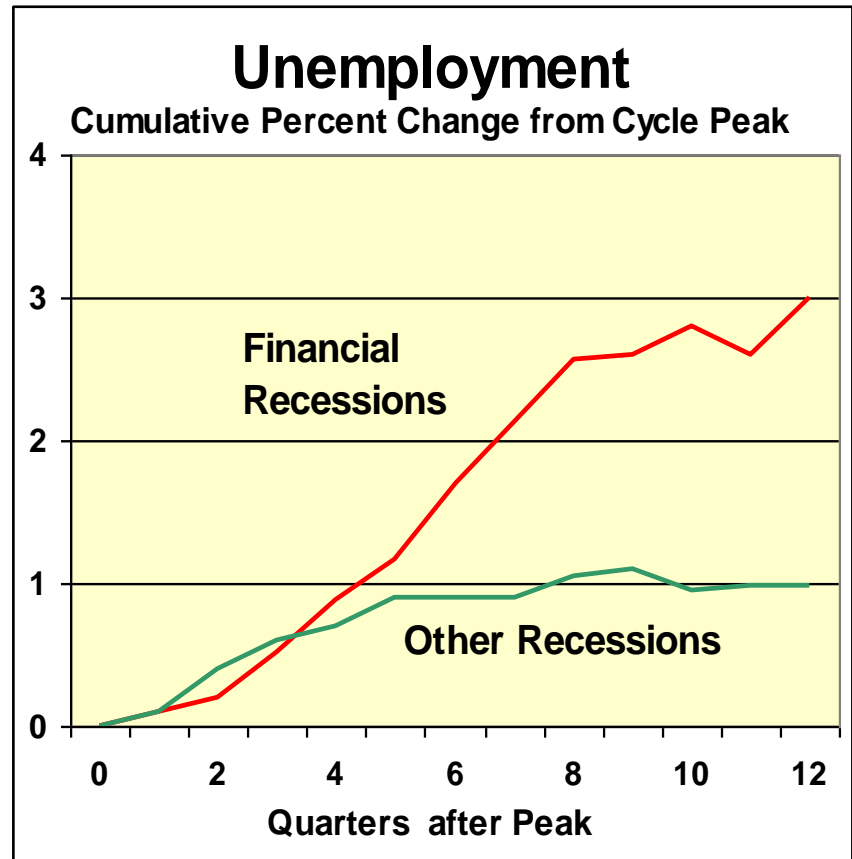
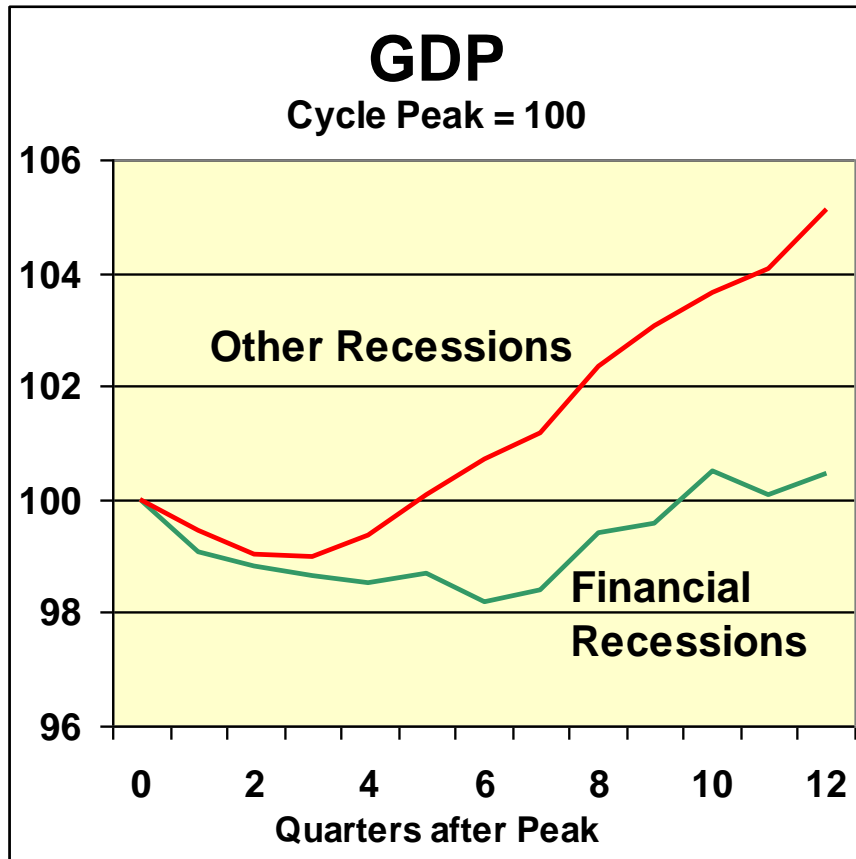


Source: State Higher Education Executive Officers (SHEEO)

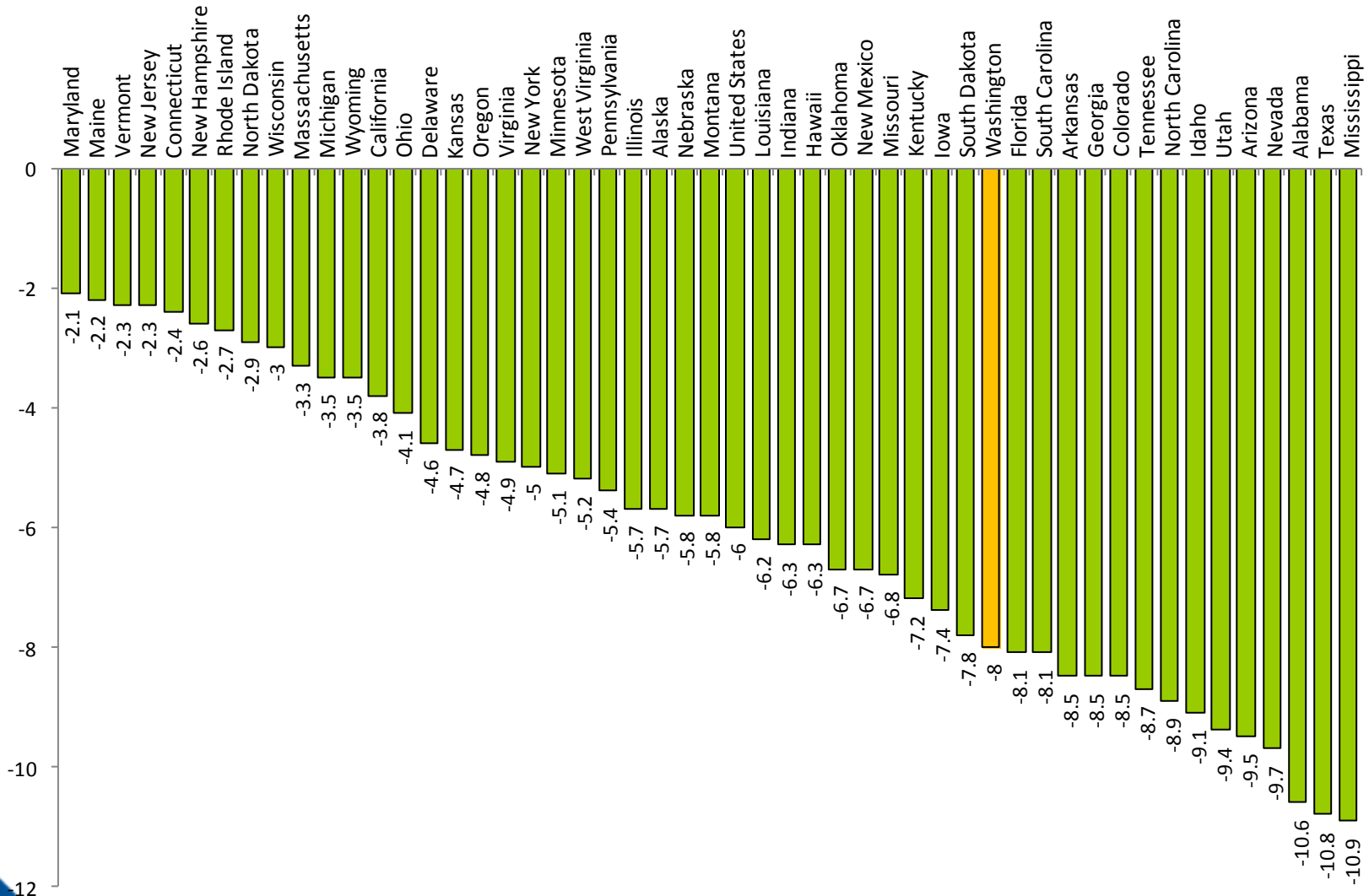
A Reality Facing Higher Education

- Employment recovery lags fiscal recovery
- State tax collections lag employment recovery
- Funding for higher education lags state tax revenues recovery

Recoveries from Financial Recessions



Projected State and Local Budget Surplus (Gap) as a Percent of Revenues, 2016



The Traditional Competitors for State Funding

- K-12 Education
- Medicaid
- Corrections
- Transportation

The New Competition

Unfunded obligations to state employees for

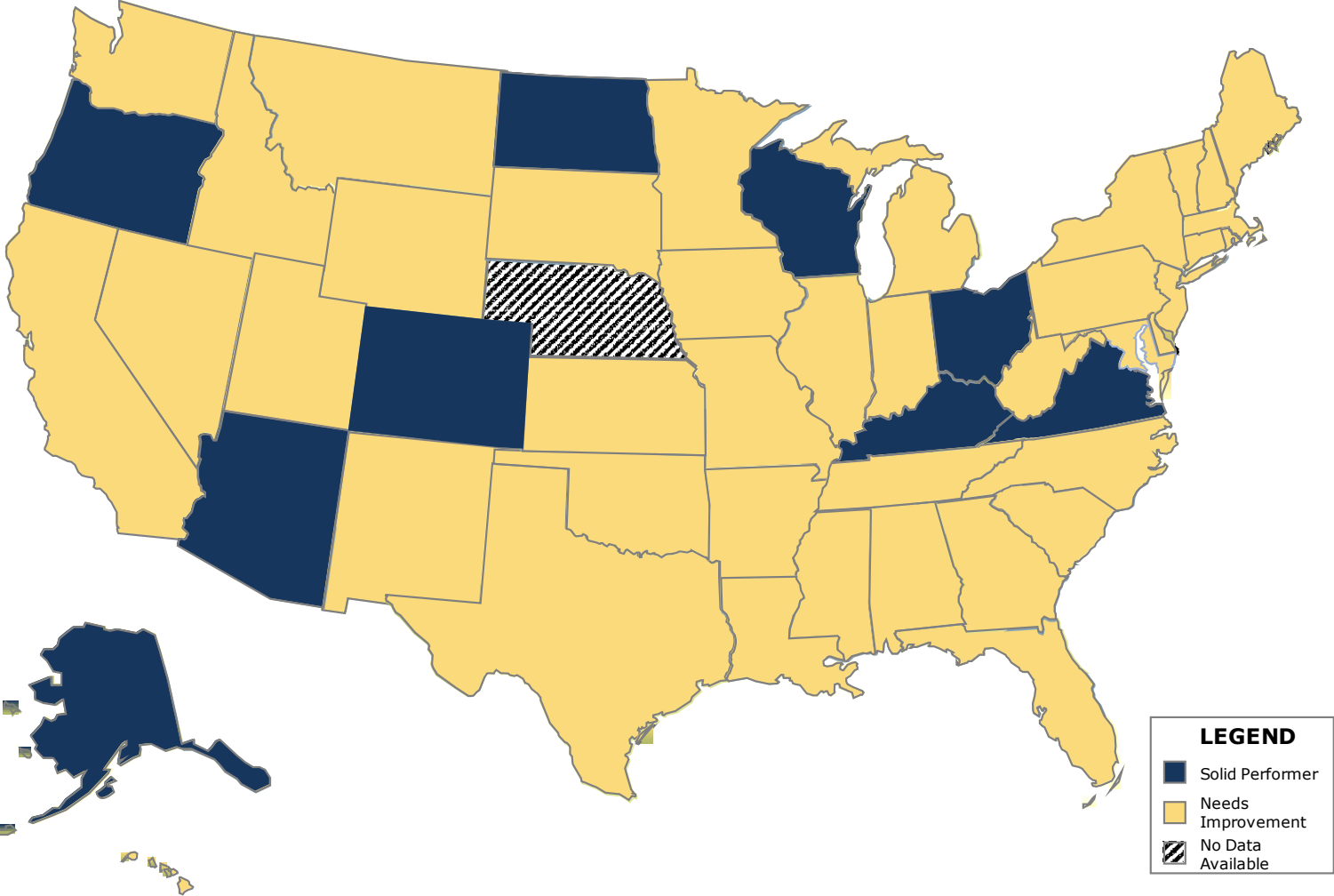
- Retirement
- Health Benefits

How Well Are States Managing Their Pension Obligations?



Source: Pew Center on the States, 2010

How Well Are States Managing Their Non-Pension Obligations?



Source: Pew Center on the States, 2010



- States can't afford to lag in their stock of educational (human) capital
- States can't afford to create human capital in the amounts needed under the cost structure of business as usual



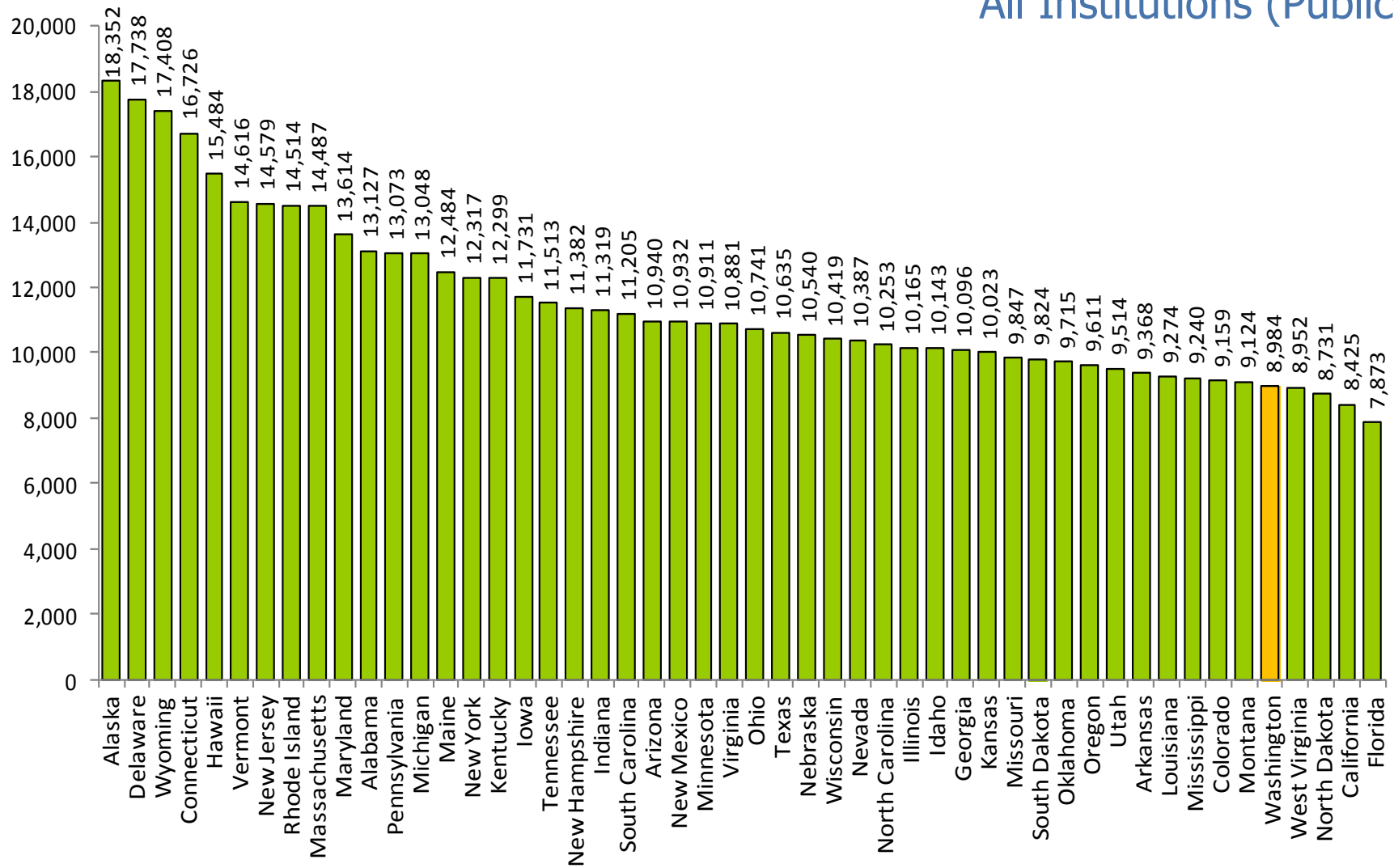
The thing that has to change is
business as usual.

Productivity has to improve.

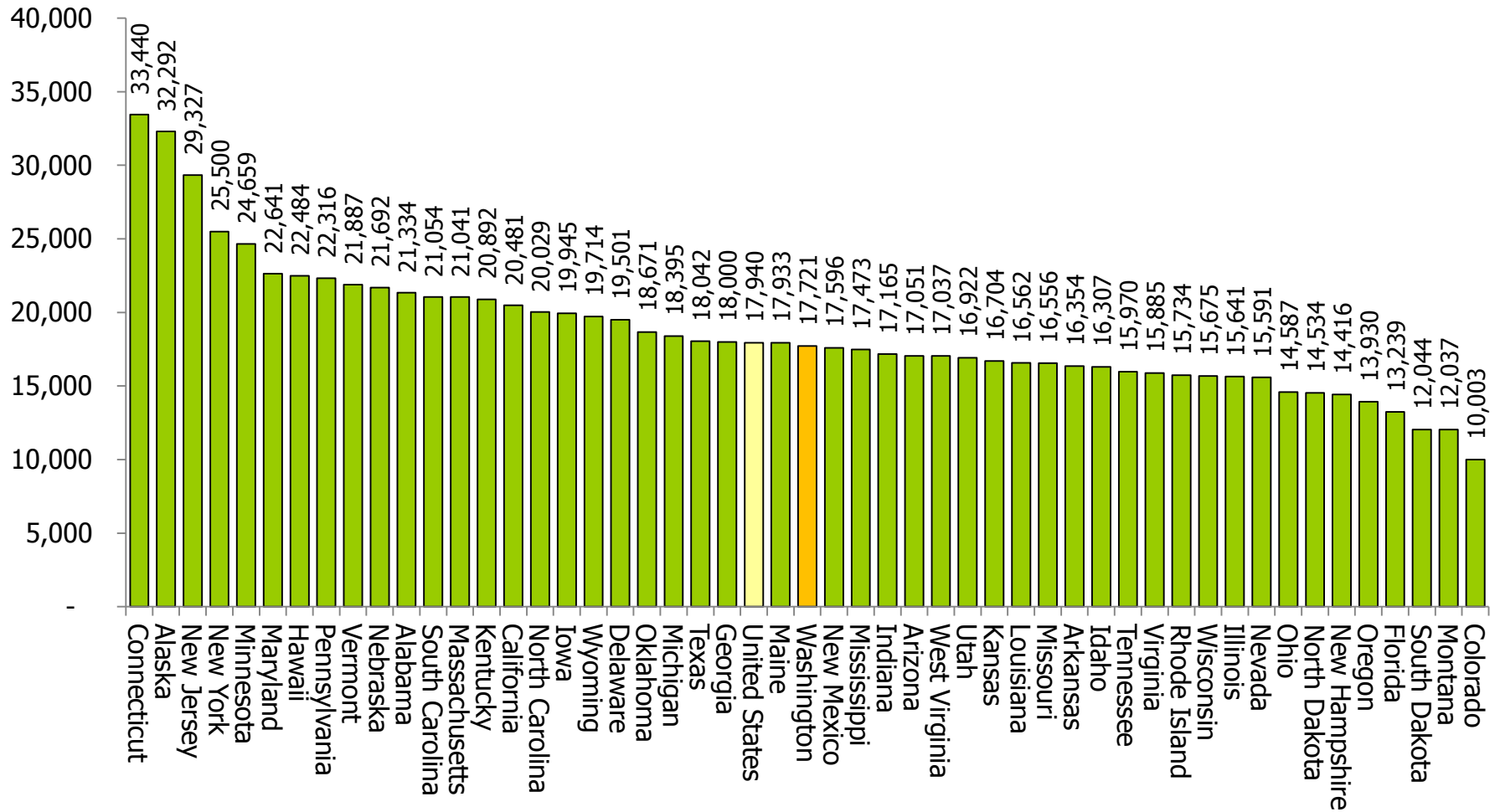
Postponing Action is Not a Solution

- The need for more graduates is not going to wait for the state economy to turn around
- Increased state funding for higher education is unlikely to be forthcoming in the foreseeable future

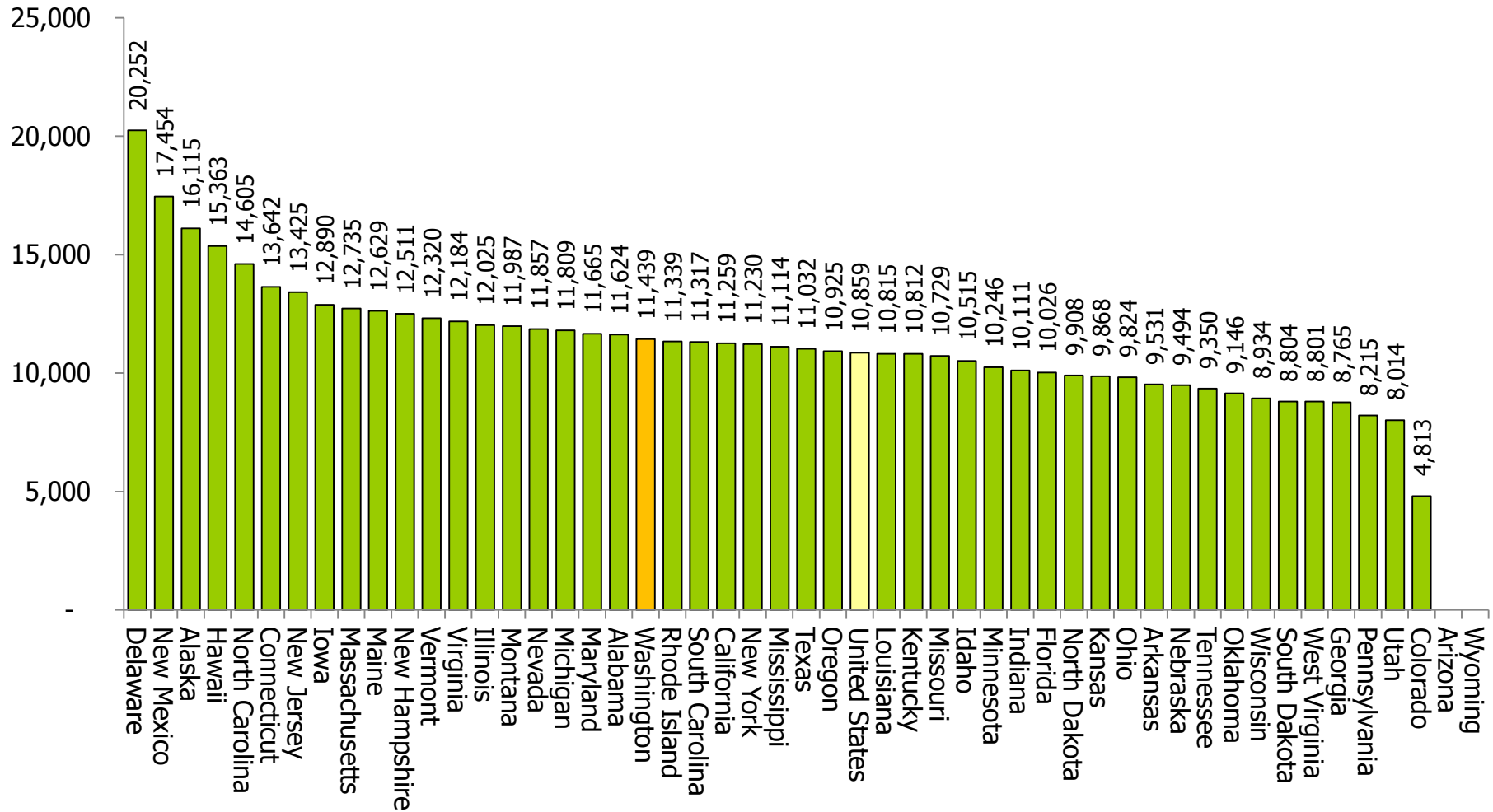
State/Local Funding plus Tuition Revenue per FTE Student All Institutions (Public)



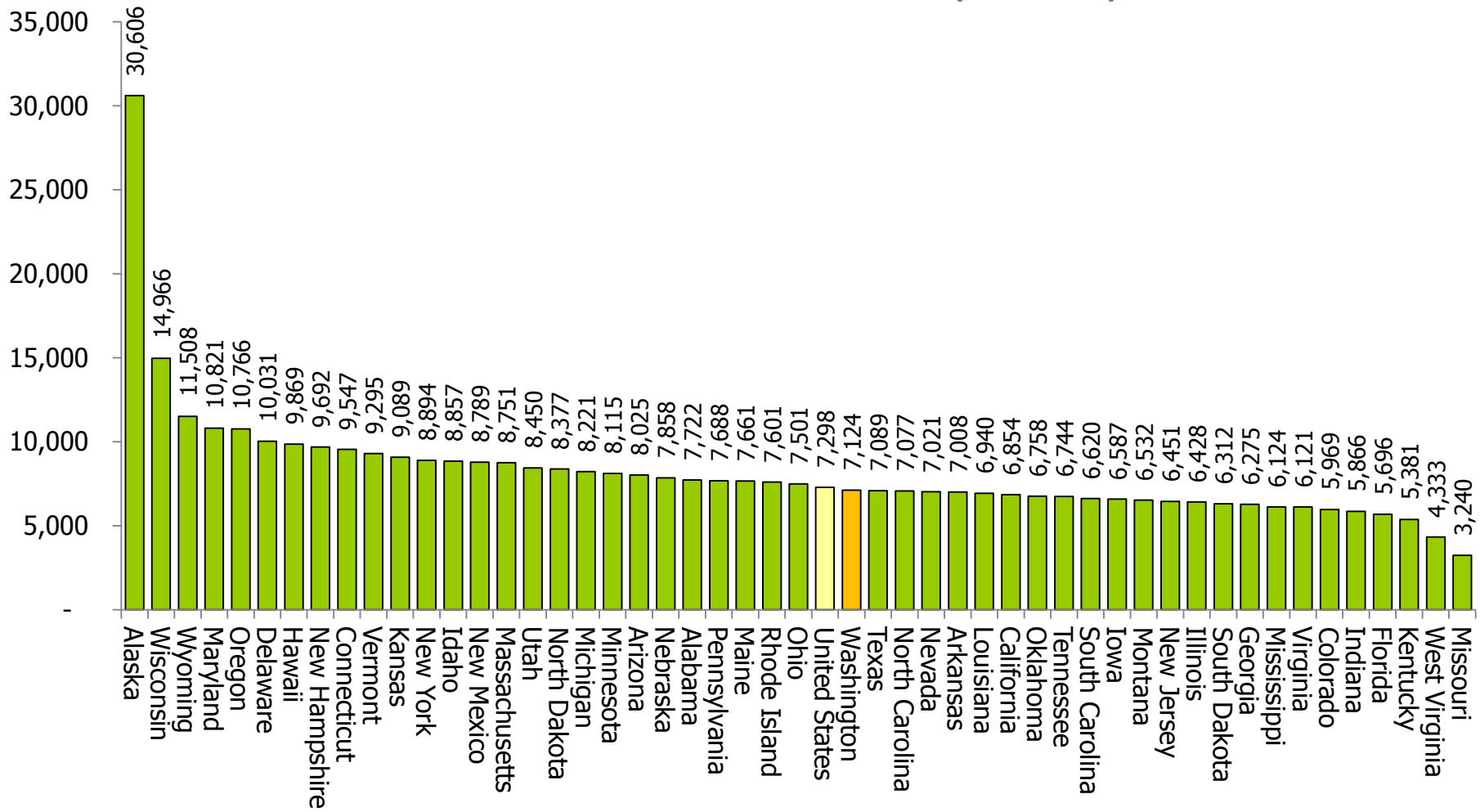
State, Local, Tuition and Fee Revenues per FTE Student (2007-08) Public Research



State, Local, Tuition and Fee Revenues per FTE Student (2007-08) Public Bachelor's & Masters



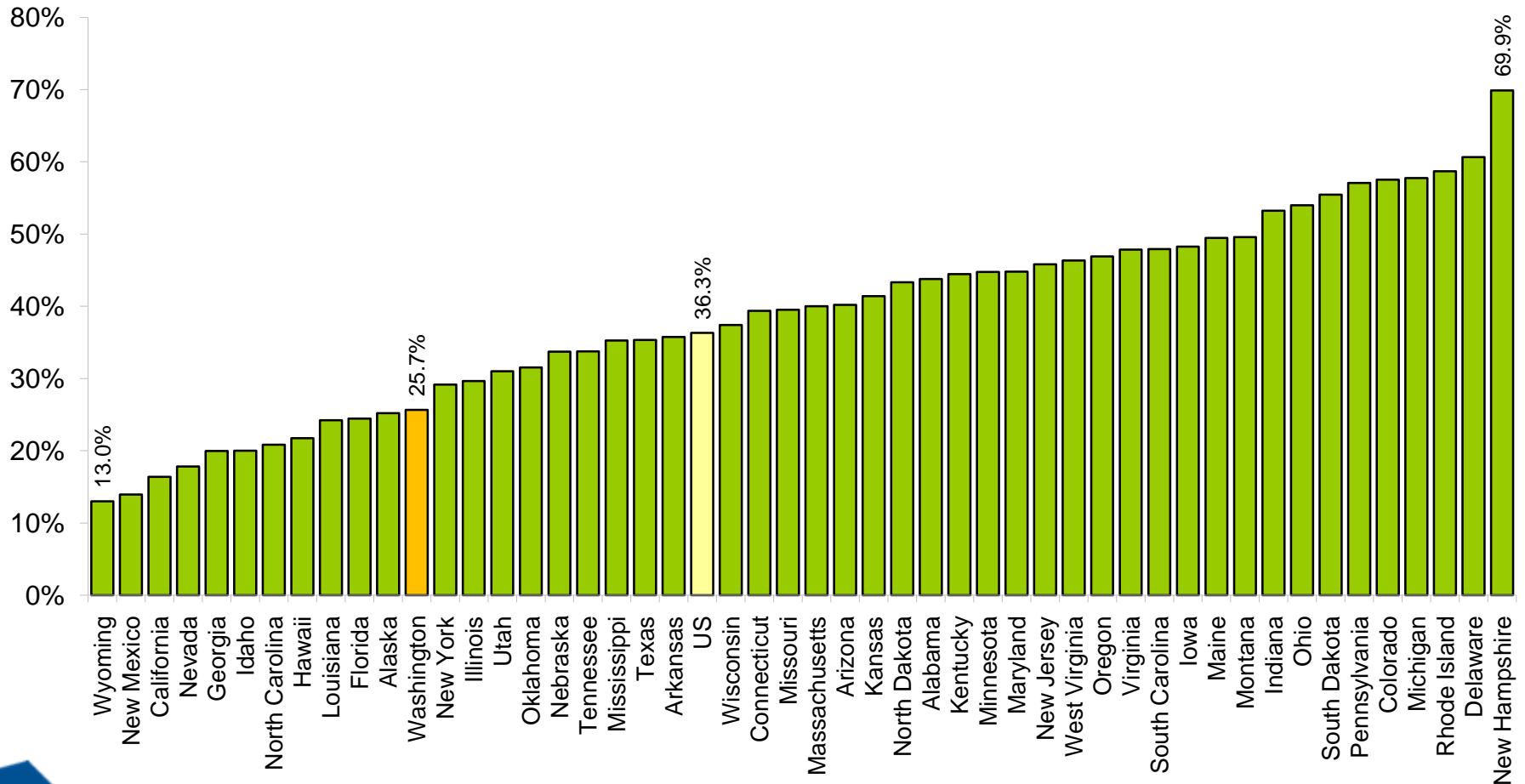
State, Local, Tuition and Fee Revenues per FTE Student (2007-08) Public Two-Year





The Student Portion of Higher Education Funding

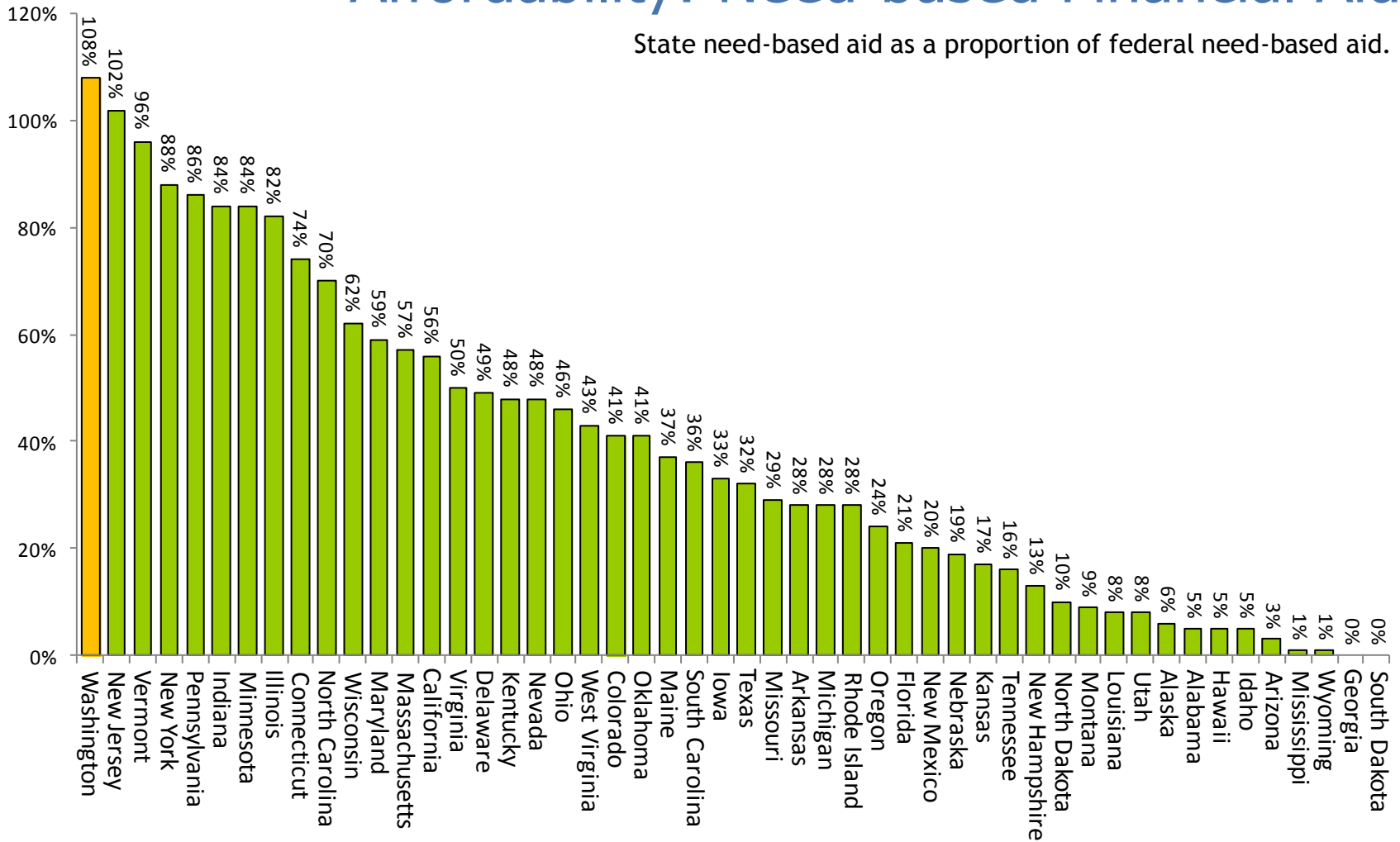
Net Tuition as a Percent of Public Higher Education Total Educational Revenue by State, FY 2008



Note: Dollars adjusted by 2008 HECA, Cost of Living Adjustment, and Enrollment Mix

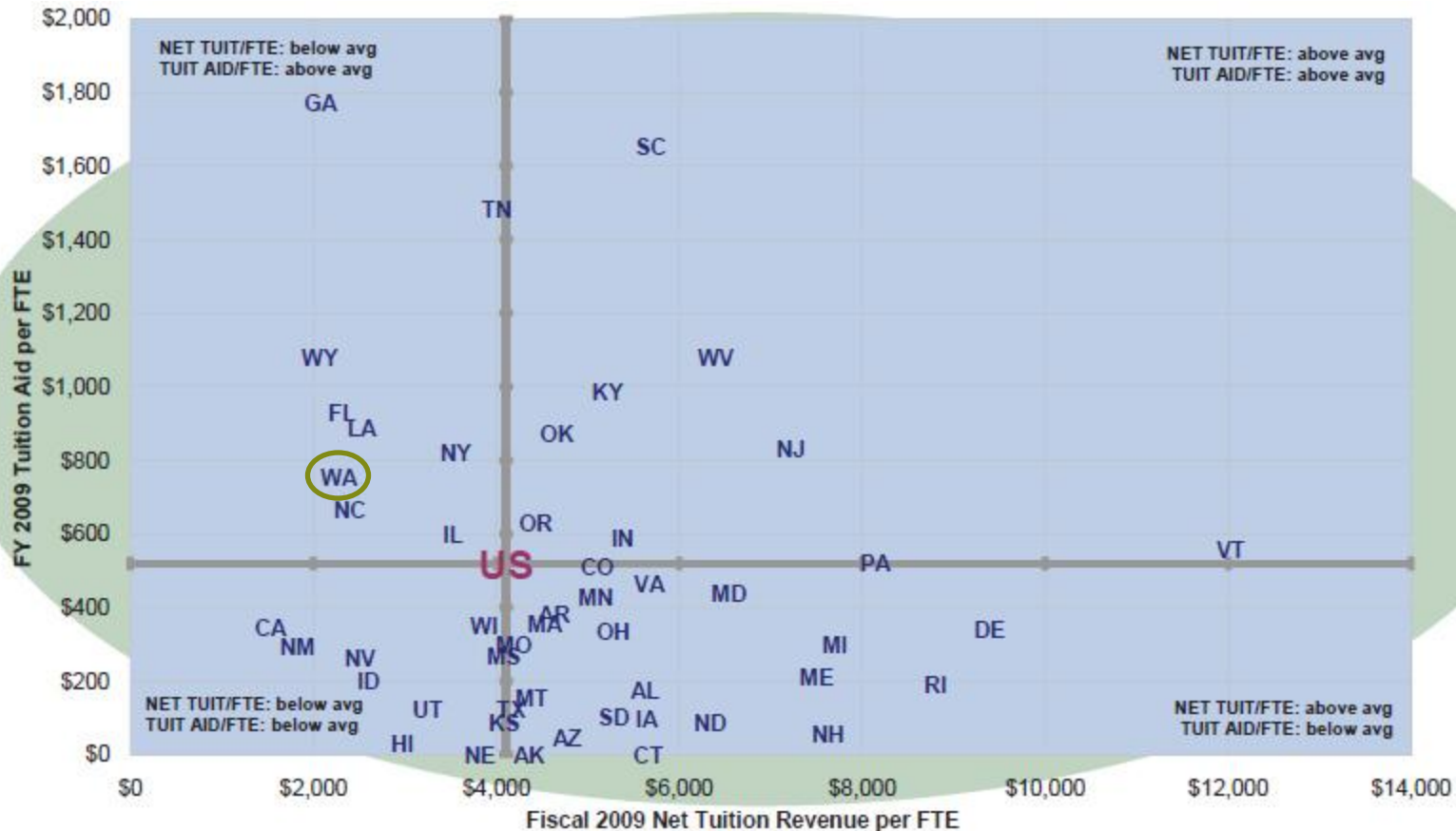
Affordability: Need-based Financial Aid

State need-based aid as a proportion of federal need-based aid.



Source: Measuring Up 2008

Net Tuition Revenue per FTE and State-Funded Tuition Aid per FTE, FY2009 (Public Institutions only)



Productivity as an Issue

What Do We Mean By *Productivity*?

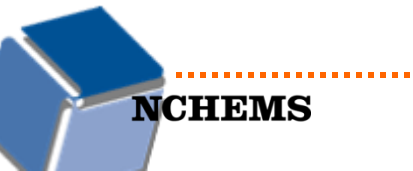
Simply put

$$\text{Productivity} = \frac{\text{Outputs Produced}}{\text{Costs (Resources Utilized)}}$$

Productivity Means

- Increasing outputs
- Reducing costs

Without reducing access or quality



Productivity Does Not Mean

- Finding new revenue sources or shifting costs to students
- Becoming more selective and reducing access in the process

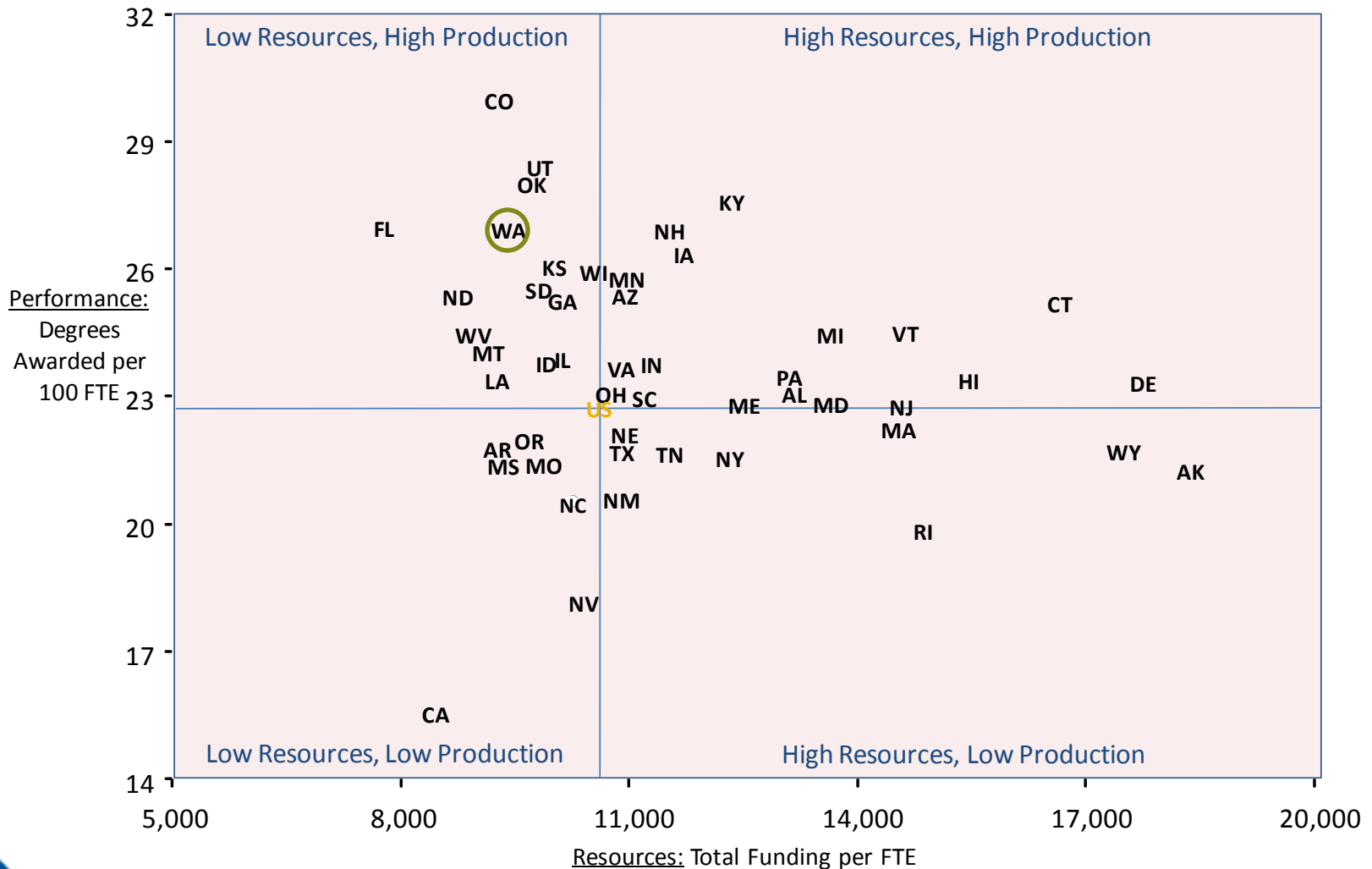


The objective is more graduates,
not a higher graduation rate.

Is There Room for Productivity Improvement in Washington?

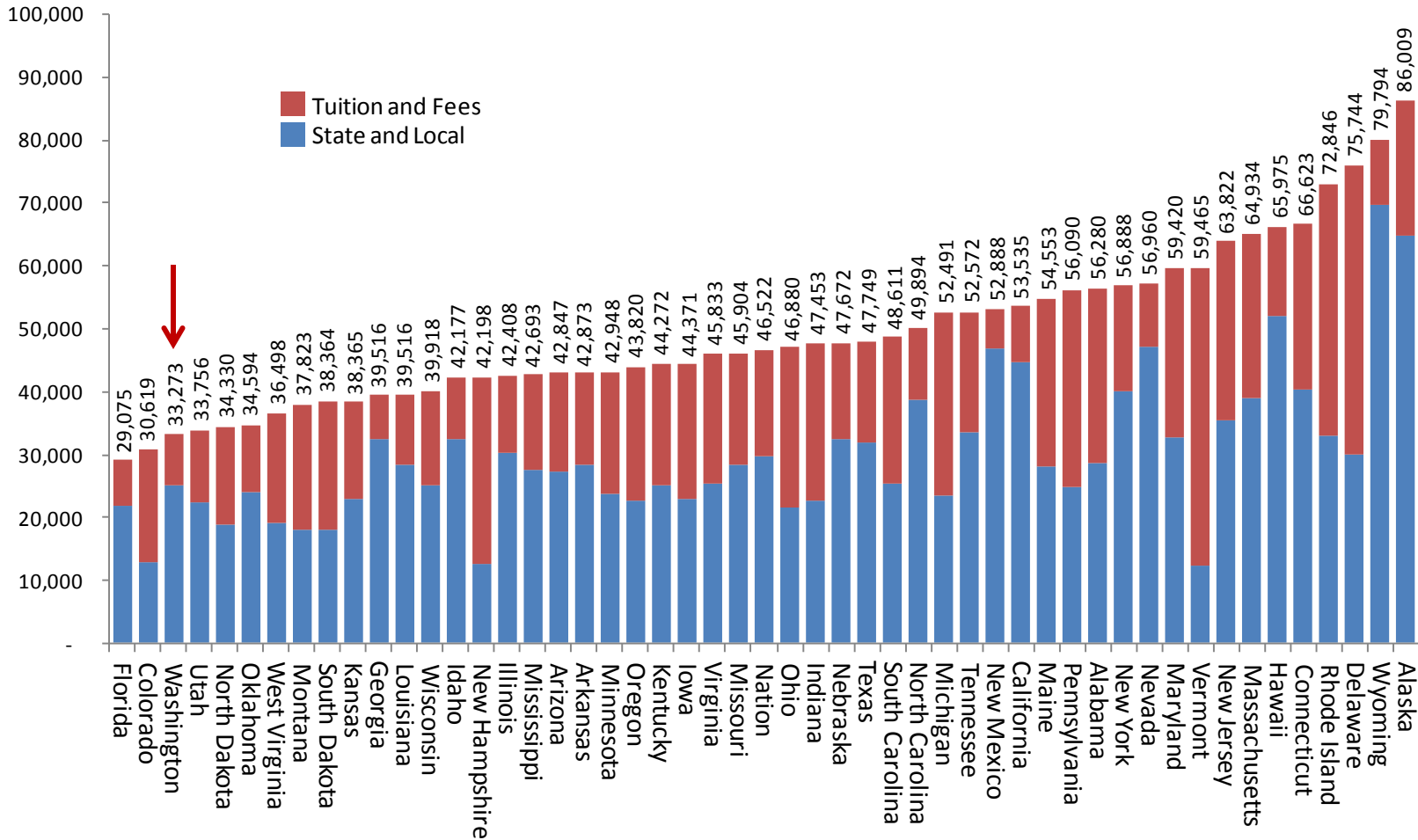
The evidence suggests that the answer is *yes.*

Degrees & Certificates awarded per FTE vs. Total Funding per FTE (2006-2007)



Productivity: Total Funding per Degree/Certificate

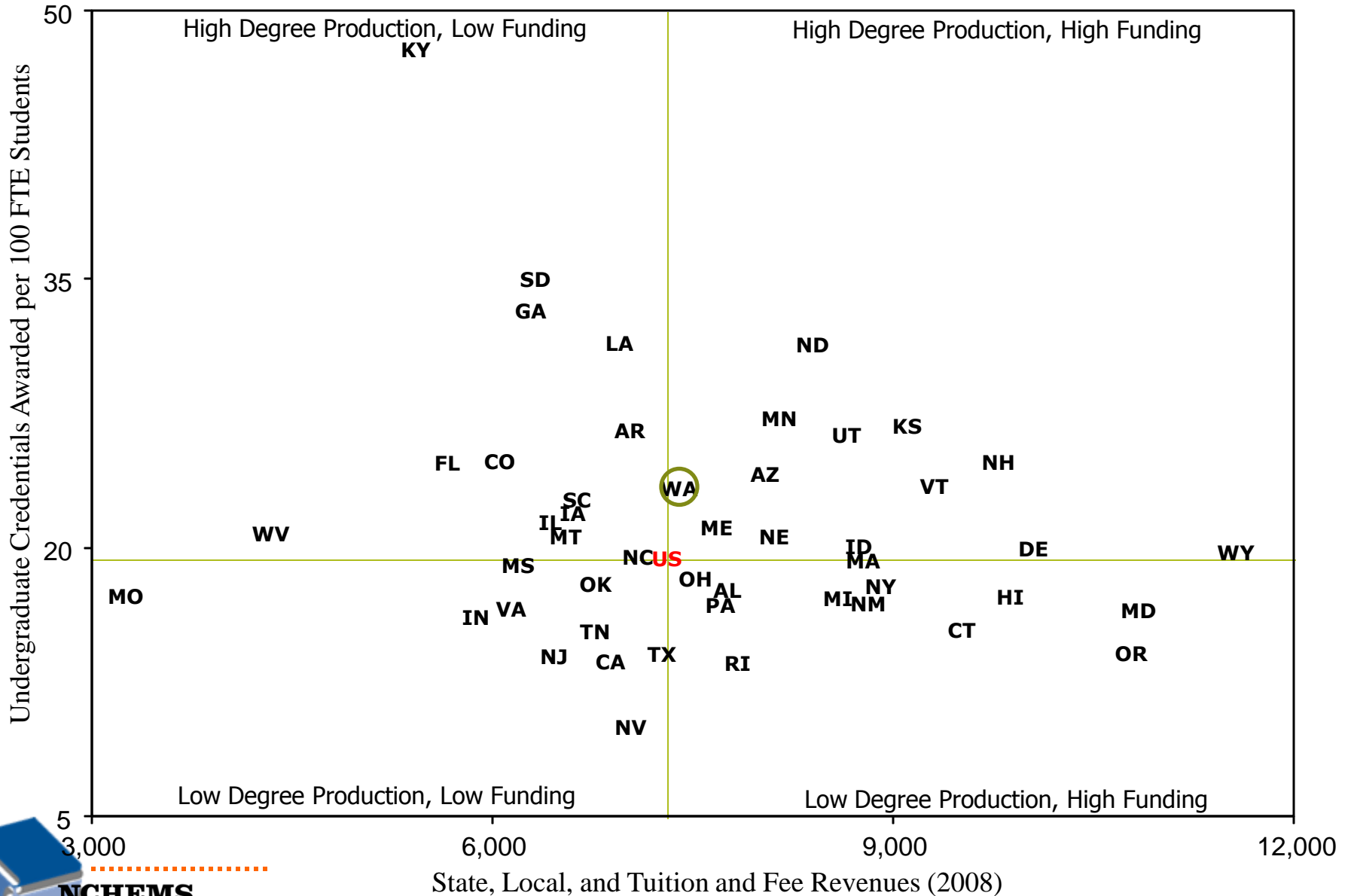
(Weighted*, 2006-2007)



Sources: SHEEO State Higher Education Finance Survey 2008; NCES, IPEDS Completions Survey; U.S. Census Bureau, American Community Survey (Public Use Microdata Samples)

*Adjusted for value of degrees in the state employment market (median earnings by degree type and level)

Public Two-Year Institutions: Undergraduate Credentials per 100 FTE Undergraduates and Total Funding per FTE Student (2007-08)



Approaches to Achieving Greater Productivity

Approaches to Improving Productivity

Productivity ↑

if

$\frac{\text{Outputs} \rightarrow}{\text{Costs} \downarrow}$

or

Productivity ↑

if

$\frac{\text{Outputs} \uparrow}{\text{Costs} \rightarrow}$

Approaches to Achieving Greater Productivity

- Build cost-effective systems
- Change the academic production function
- Reduce demand each student places on the system
- Reduce leaks in the pipeline

Building Cost-Effective Systems

- Align institutional capacity with stated priorities
- Ensure collaboration among institutions
- Make more efficient use of existing resources – do business as usual at less cost
 - Pay attention to benefit costs
 - Reengineer administrative and support functions
 - Purchasing and contracting

Changing the Academic Production Function

- Create programs of cost-effective size (elimination in some cases, collaboration in others)
- Reengineer curricula
- Reengineer course delivery
- Emulate business models of new types of providers
 - Technology-based
 - Competency-based

Reducing Demands Each Student Places on the System

- Students come to college fully prepared (no remediation)
- Accelerated learning
 - Reduced course options – in both general and majors
 - Cohort-based block programs
- Minimize “rework”
- Improve rates of course completion
- Reduce credit hours to degree
- Encourage use of prior learning assessment/“test out” options
- Learning in the workplace/credit for experience

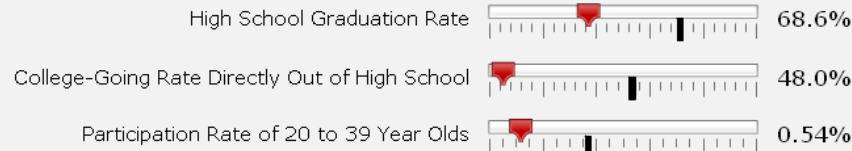
Reducing Leaks in the Pipeline

- Curricular Alignment
 - K-12 to Higher Ed
 - Community Colleges to 4-year
- Pay attention to student support – “case managers”
- Re-engage adults – particularly those who have tried college and didn’t complete a program
- Financial Aid incentives
- Early-warning systems
- Improved consumer information

Closing the Educational Attainment Gap in Washington for 25 to 34 Year Olds: The Impact of Improved Performance by 2020

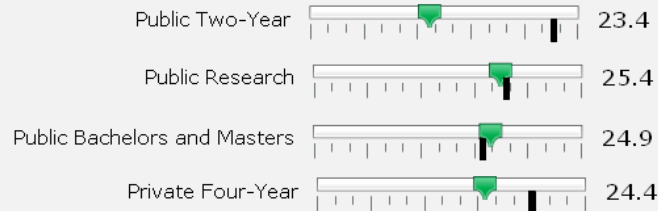
Reset

Input Rates

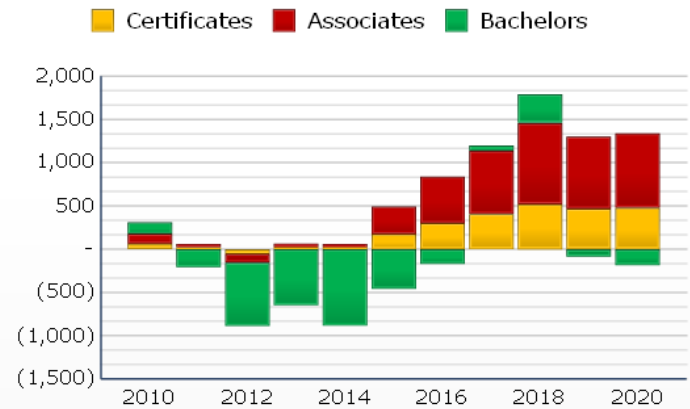


Throughput Rates

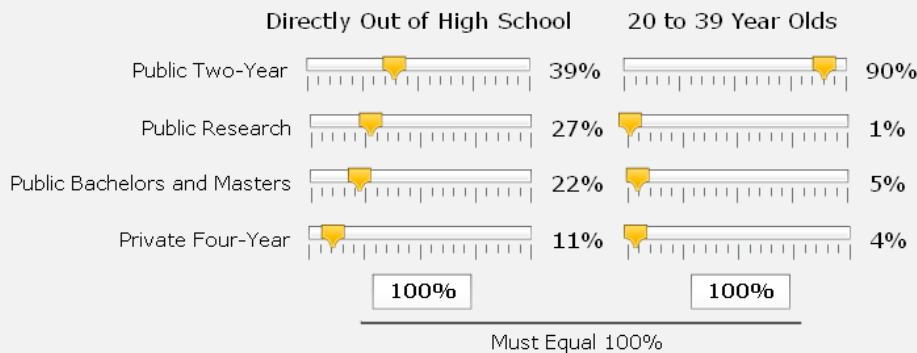
**Degrees
Awarded per
100 FTE
Undergraduates**



Additional Credentials Awarded Annually by 2020



Future Enrollment Distribution of First-Time Students



Closing the Attainment Gaps by 2020

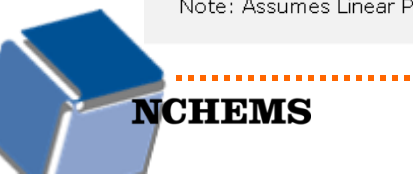
Additional Associate and Bachelors Degrees Produced **1,492**

Additional Needed to Meet Contribution to U.S. Attainment Goal (60%) **186,719**

Note: Assumes Linear Progress Towards Goals.

Best State performance (Avg. of Top 3)

Created by **NCHEMS**



The Need for Multiple Strategies to Ensure Adequate Finances

- Government (states and federal) can't do this alone
- Tuition increases can't be expected to pay for this alone
- Institutional cost cutting/productivity increases can't do this alone

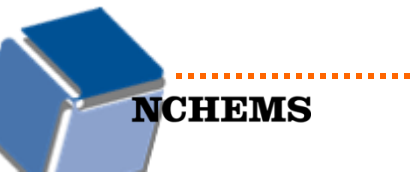


ALL three are needed.

The Good News

Collectively, we know how to do this

- The issue is one of will, not an absence of knowledge
- Can be done by working smarter, not harder



Sources of Additional Information

- Additional Data
 - www.higheredinfo.org
- Examples of practical approaches to productivity improvement
 - Good Policy, Good Practice II - Improving Outcomes and Productivity in Higher Education - A Guide for Policymakers
<http://www.nchems.org/pubs/detail.php?id=135>
- Interactive model that allows investigation of alternative strategies for improving degree completion and approaches to cost reduction
 - <http://www.collegeproductivity.org/>

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