

CHANGING DIRECTION

Integrating Higher
Education Financial
Aid & Finance Policy

Higher Education Funding
Symposium

Chicago, Illinois
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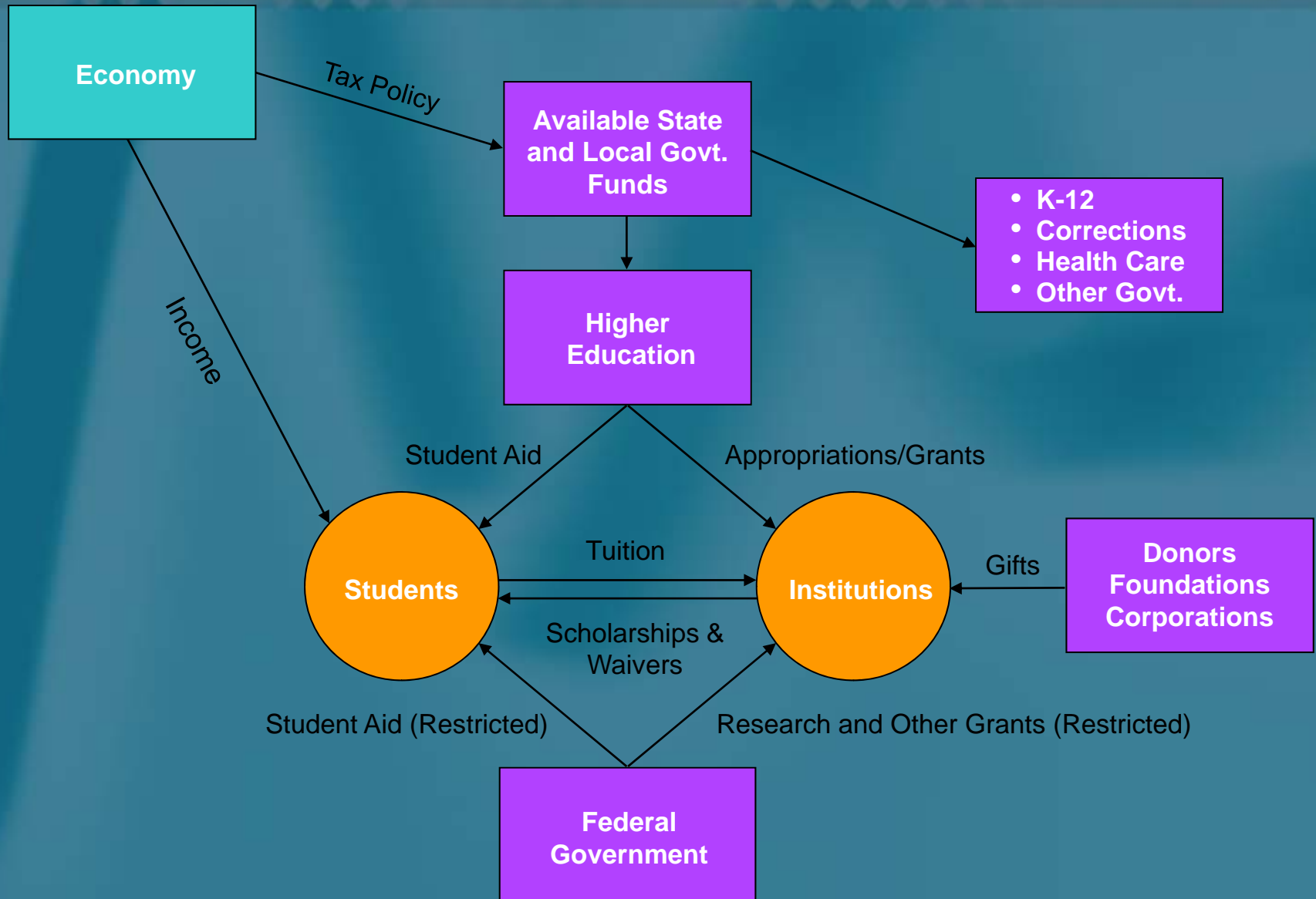
ATFA

A Nice Four-
Letter Word

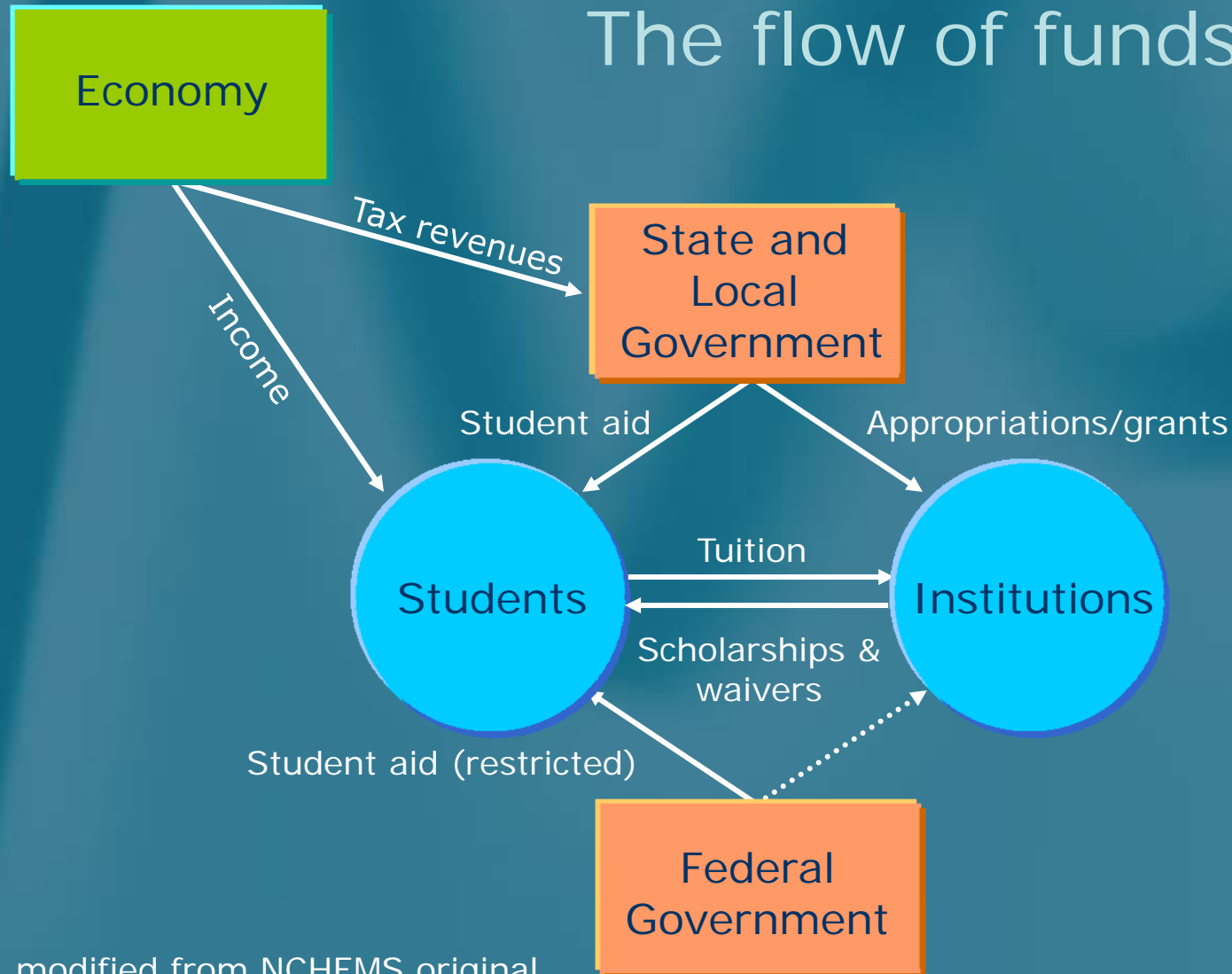
State Policy Objectives

- High Rates of High School Completion of Students Who Have Taken an Academically Rigorous Curriculum
- High Levels of College Participation of Both Recent High School Graduates and Adult Learners
- High Rates of College Degree Completion
- High Levels of Degree Production in Selected Fields
- An Economy That Employs a High Proportion of College Graduates

HOW! (The Flow of Funds)



The flow of funds for instruction



General approach

Appropriation leads

Tuition follows

Financial **A**id fills in

Desired approach

Policies in sync

ATFA

Appropriations, tuition, and financial aid policies working intentionally together

What makes good ATFA policy

- Resource allocations reinforce state priorities, not ...
- Resources sustain (and may even enhance) institutional capacity
- Resource allocations make higher ed affordable
 - To students, and
 - To state
 - (Not cheap; simply affordable)
- Resource allocations are fair
 - Shared contributions reflect shared benefit
- Resource policies are transparent
 - Legislators understand them
 - Citizens understand them
 - Providing institutions understand them

Different strokes for different folks

- The state's objectives
 - Adequate to excellent institutional capacity
 - Productivity meeting state's needs
 - Provided as cheaply as possible

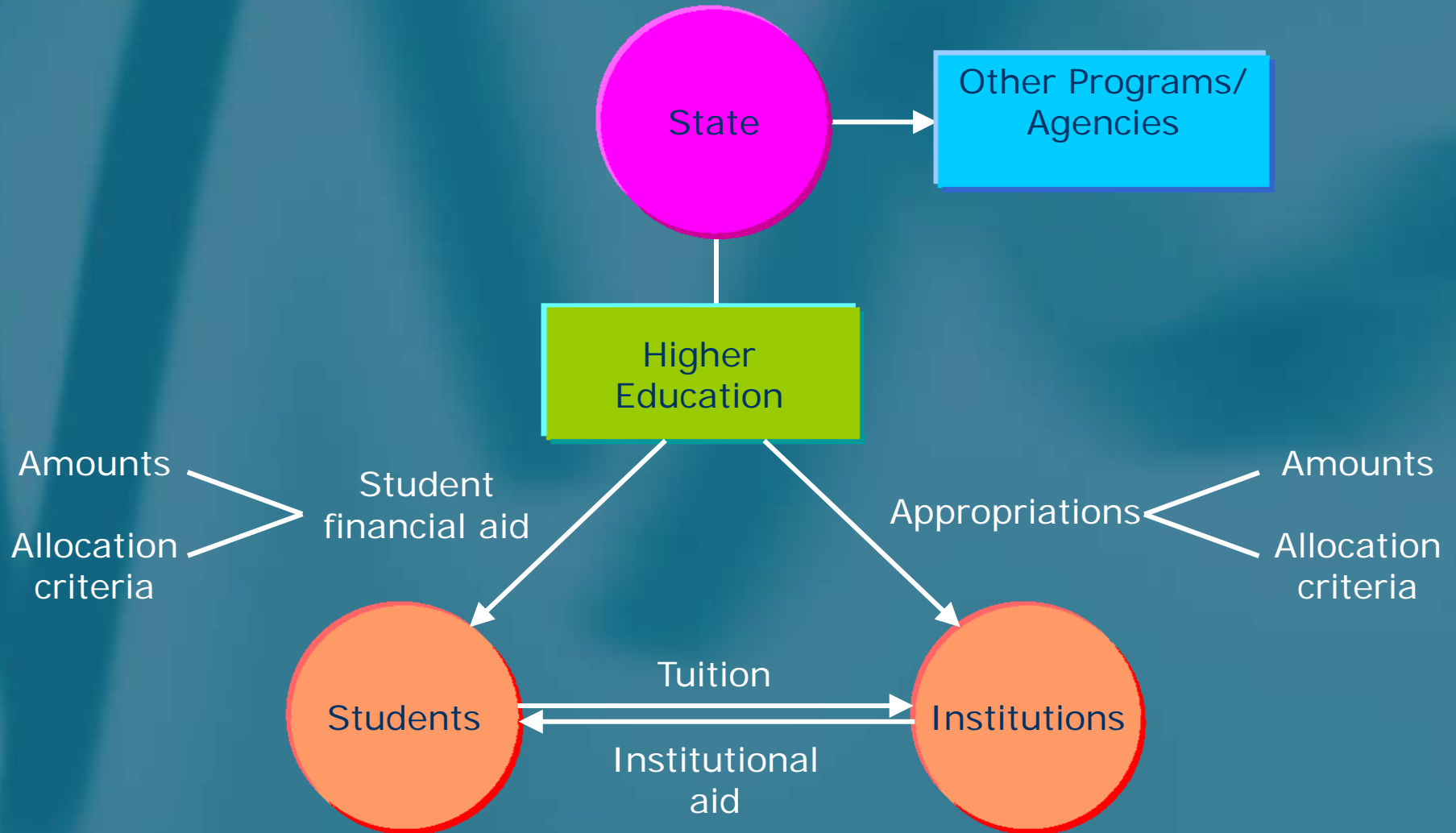
Different strokes for different folks

- The state's objectives
 - Adequate to excellent institutional capacity
 - Productivity meeting state's needs
 - Provided as cheaply as possible
- Student's
 - Value
 - Affordability (Which means cheap to them)

Different strokes for different folks

- The state's objectives
 - Adequate to excellent institutional capacity
 - Productivity meeting state's needs
 - Provided as cheaply as possible
- Student's
 - Value
 - Affordability
- Institution's
 - Fair treatment
 - Stability
 - Both sustaining and enhancing support
 - More

The domain of state-level allocation decisions

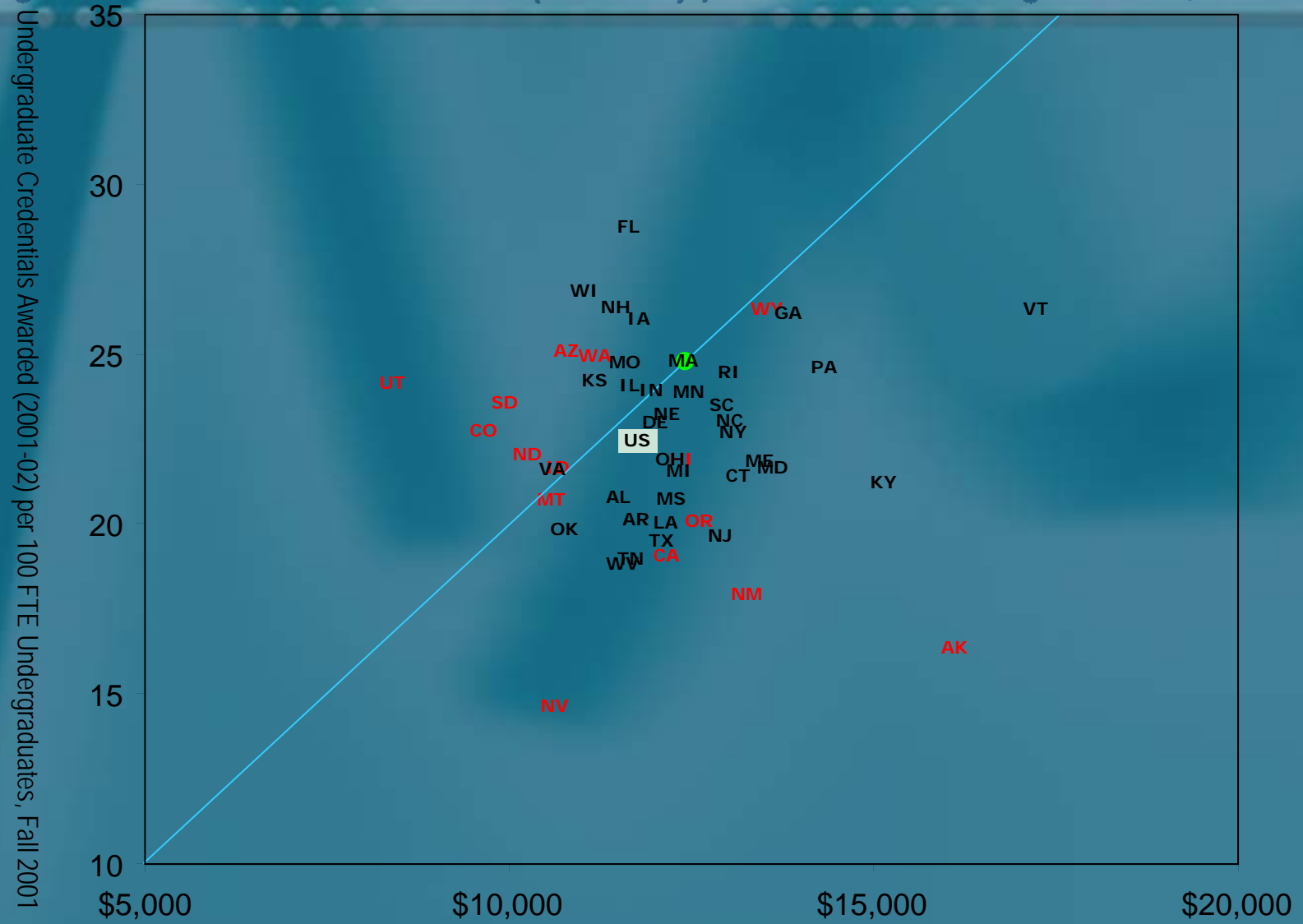


ATFA appropriations – allocation and amount

- Allocation
 - Base plus
 - Formula funding
 - Performance funding
 - Investment funding
- Amount – is enough ever enough?
- Do these attend to state goals?

Performance Relative to Total Funding per FTE—State Higher Education Systems

Undergraduate Credentials Awarded (2001-02) per 100 FTE Undergraduates, Fall 2001



Total Funding per FTE (State, Local, Tuition & Fees, State Financial Aid—Adjusted for COL and Faculty Salaries) Source: NCHEMS

ATFA Tuition

- Ad hoc tuition policy
 - Incremental increases
 - Politically derived increases
- Rational tuition policy
 - Index-derived increases
 - Gap-filling increases
- Seldom, however, are tuition and appropriations policies **in sync**

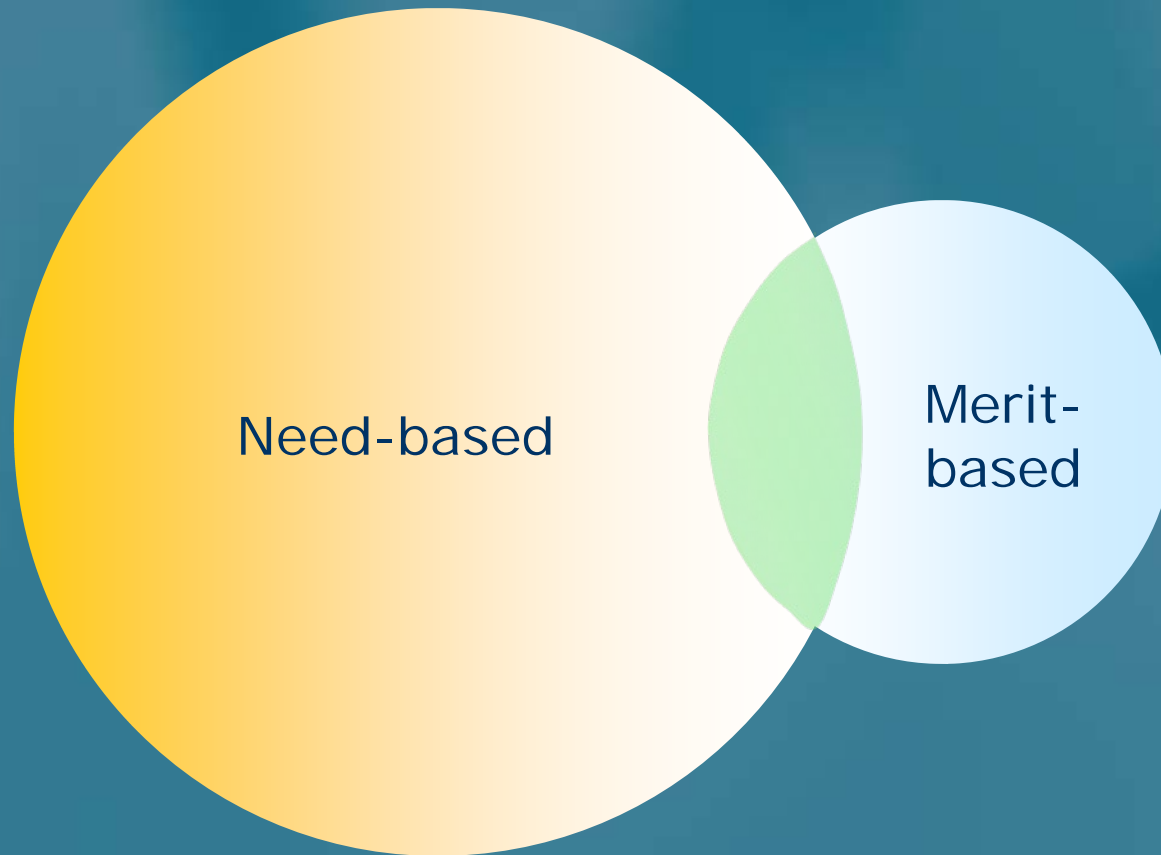
A Picture of State Higher Education Funding



ATFA Financial aid

- State: out of sync
- Federal – an unintentional partner, if a partner at all
- Institutional
 - Filling the “need gap”
 - Or not
 - The new infatuation with merit aid

Relationship between "need-based" and "merit-based" aid



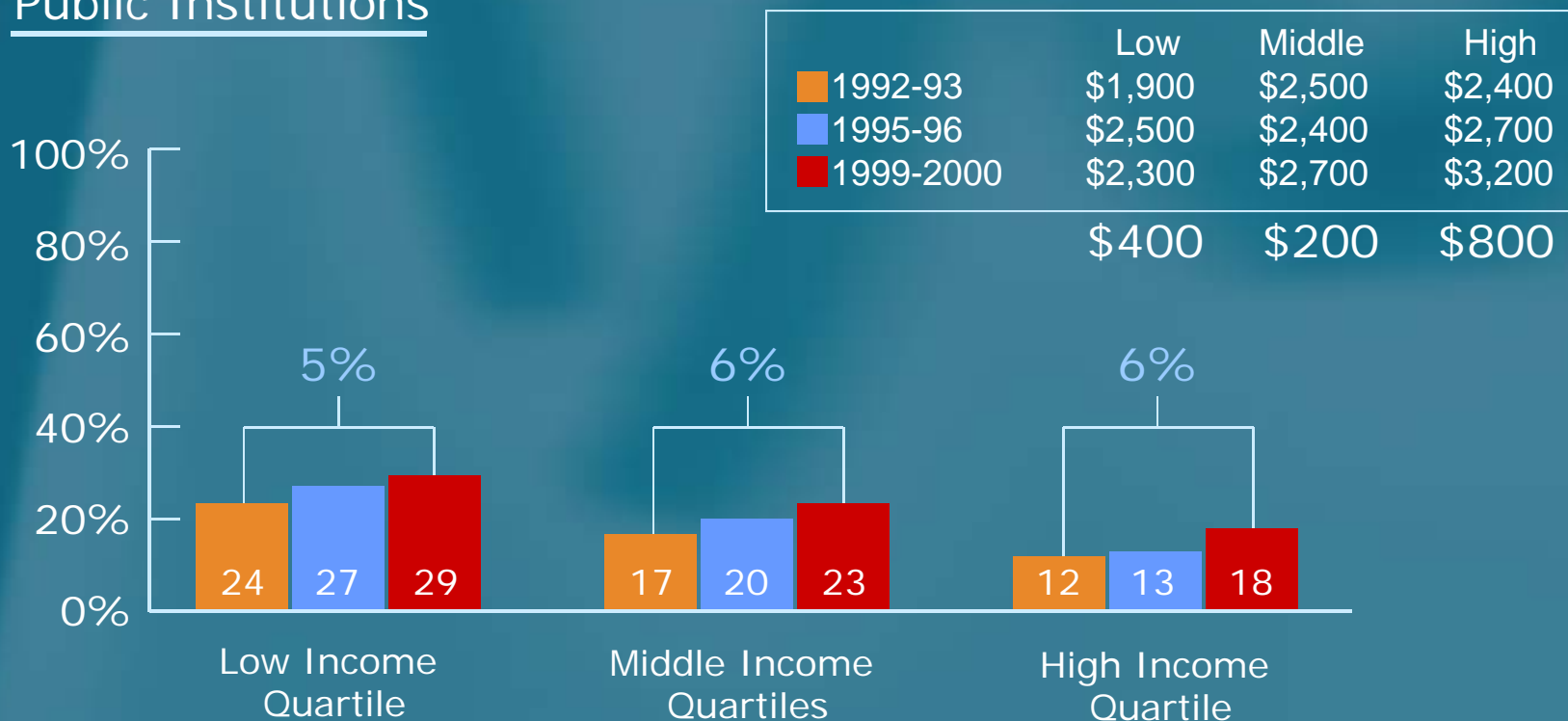
The states' recent redirection

Type of aid	FY 1999	FY 2004	Change in \$	Change in %
Need-based	\$2,968	\$4,549	\$1,581	53%
Non-need-Based	\$ 718	\$1,618	\$ 900	125%

Show me the money—But Beware

Percentage of full-time undergraduates enrolled in 4-year institutions who received institutional aid and the average amount received in constant 1999 dollars, by income quartile: 1992-93, 1995-96, and 1999-2000

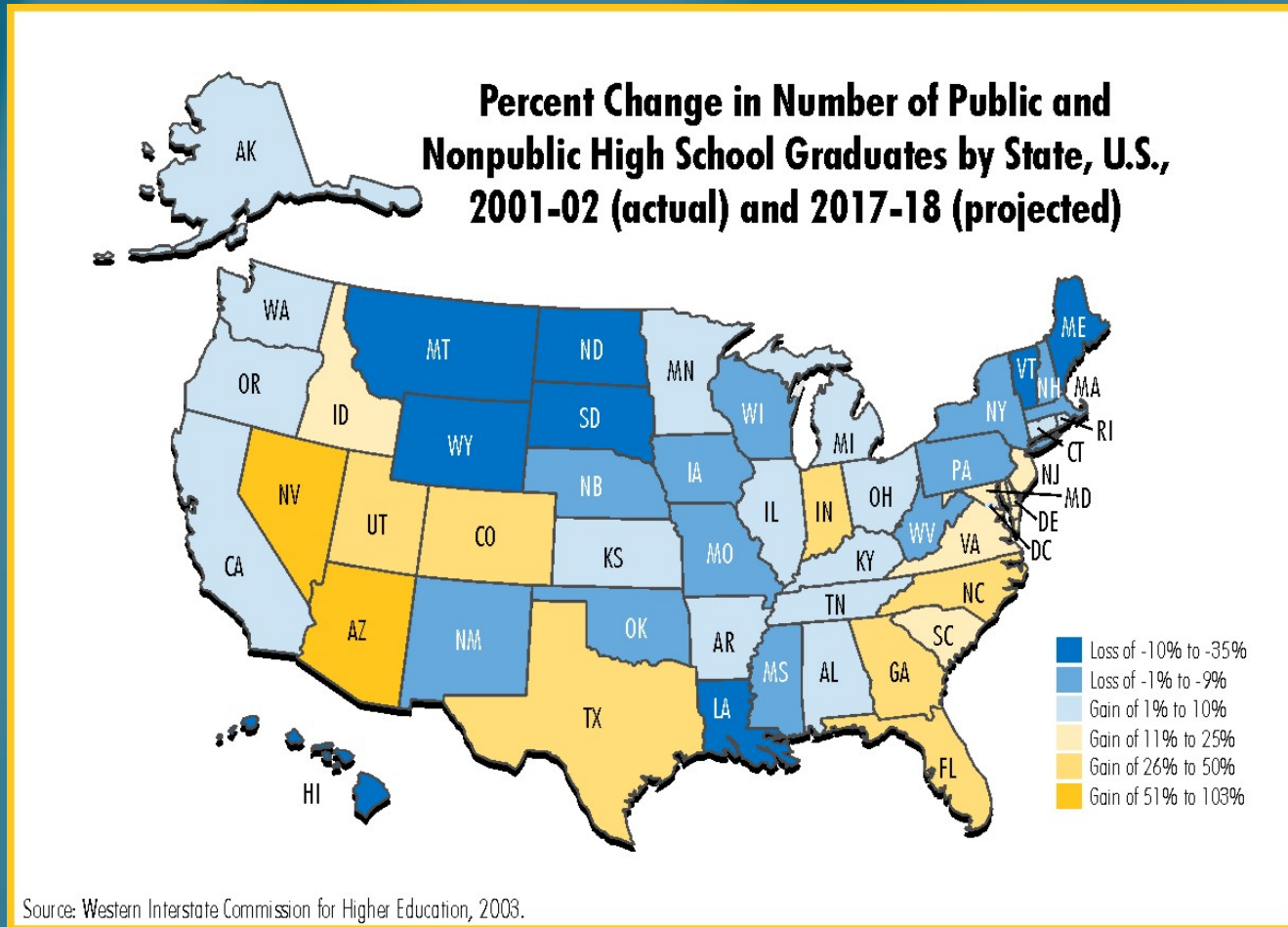
Public Institutions



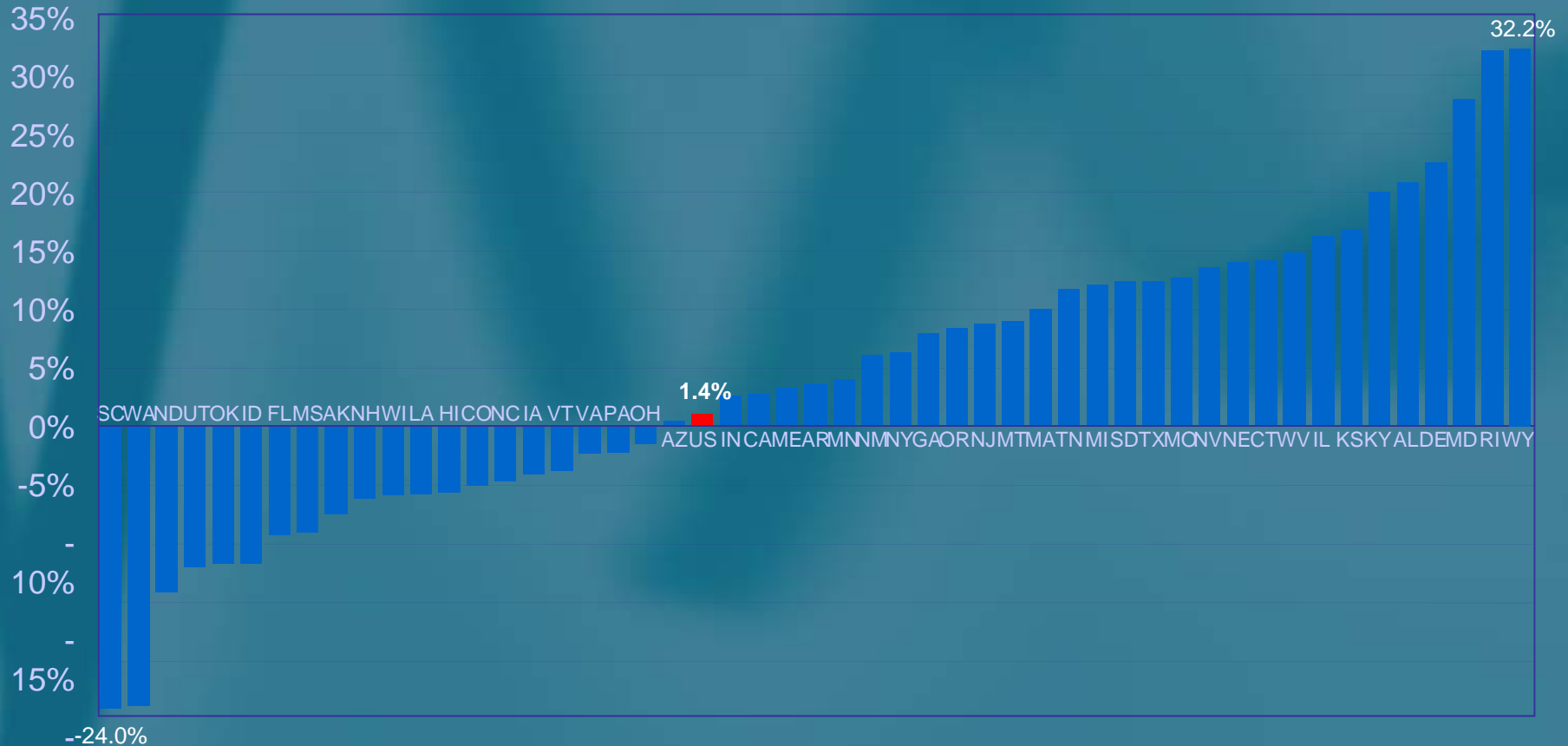
Requisites of integrating higher ed policy

- Clear understanding of state's priorities
 - By all stakeholders
- Adequate capacity to do the job
- ATFA – policy alignment
- Respect
- Realization that one size doesn't fit all

First Caveat: Differences in Demography



Total Educational Funding per FTE, Percent Change by State, FY 1991-2004



Notes: Total Educational Funding is the sum of Educational Appropriations plus Net Tuition Revenue. Constant 2004 dollars adjusted by SHEEO HECA.

Source: SHEEO SHEF

To sync or sink

Intentionality matters

**NCSL Education
Finance Seminar**

Napa, California
February 19, 2005

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Three Policies in One