

The Financial Outlook for Higher Education

A National Perspective

West Virginia Higher Education Policy Commission

Board of Governors Summit

July 20, 2012

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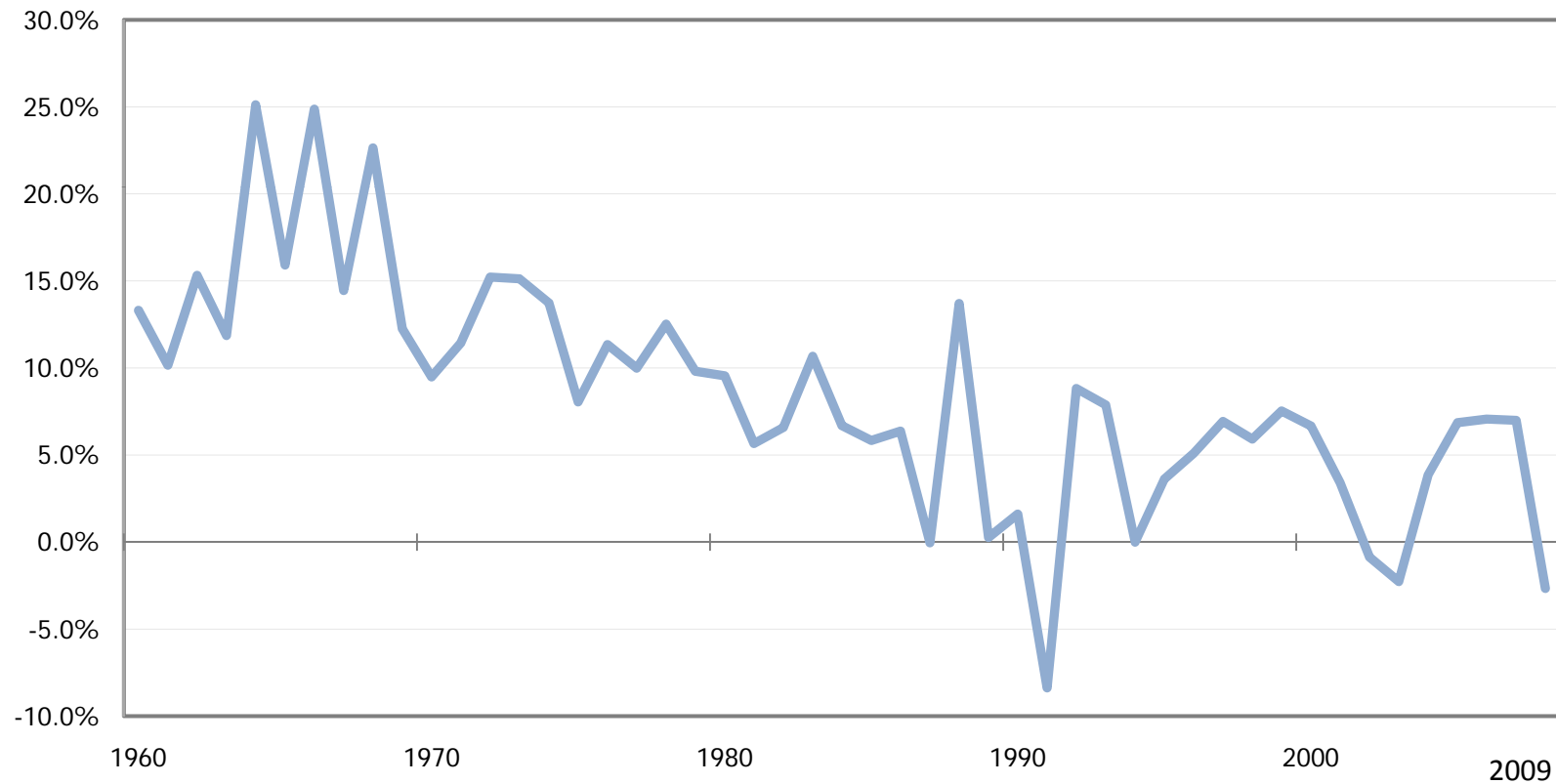
Seven Ideas About Higher Education Finance

1. Higher education is moving toward a privatized funding model
2. Prices are increasing faster than costs
3. Money does not follow the students
4. Benefits are one of the biggest cost drivers
5. Higher education is competing with health care costs – and losing
6. External stakeholders are skeptical about higher education spending and performance
7. Allocations within campuses/systems matter as much as allocations overall to higher education

Idea #1

The dominant funding trend is toward privatization of resources

Long Term Decline in State and Local Appropriations

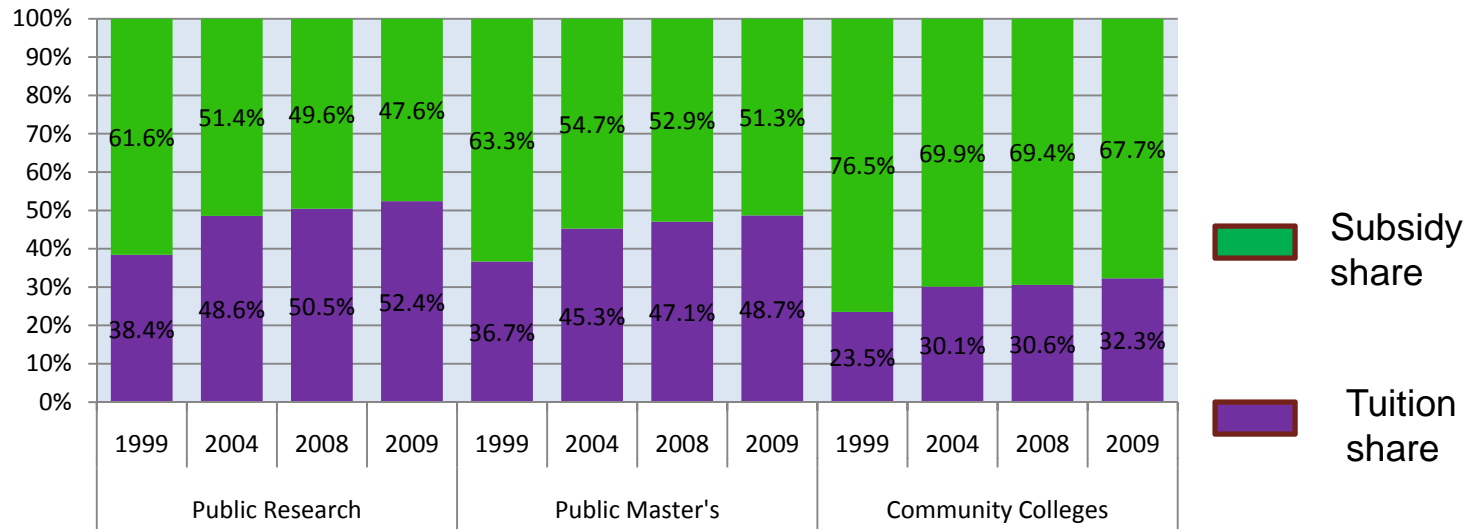


Source: Census of State and Local Governments and Grapevine

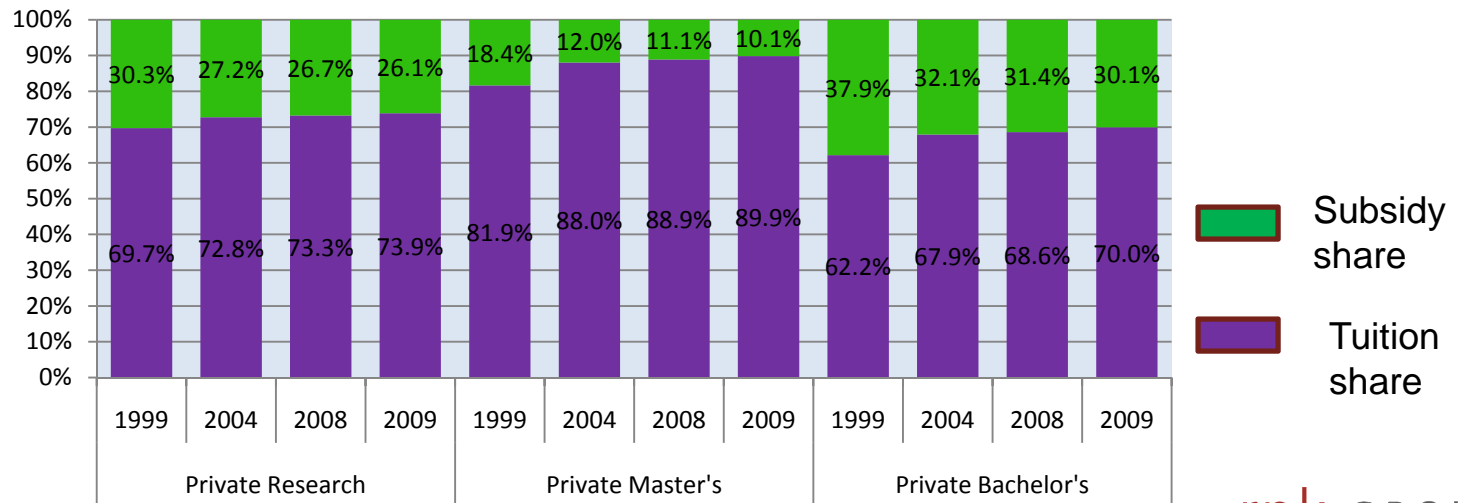
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Net tuition and subsidy shares of education and related costs AY1999-2009

Publics



Private Non-Profit



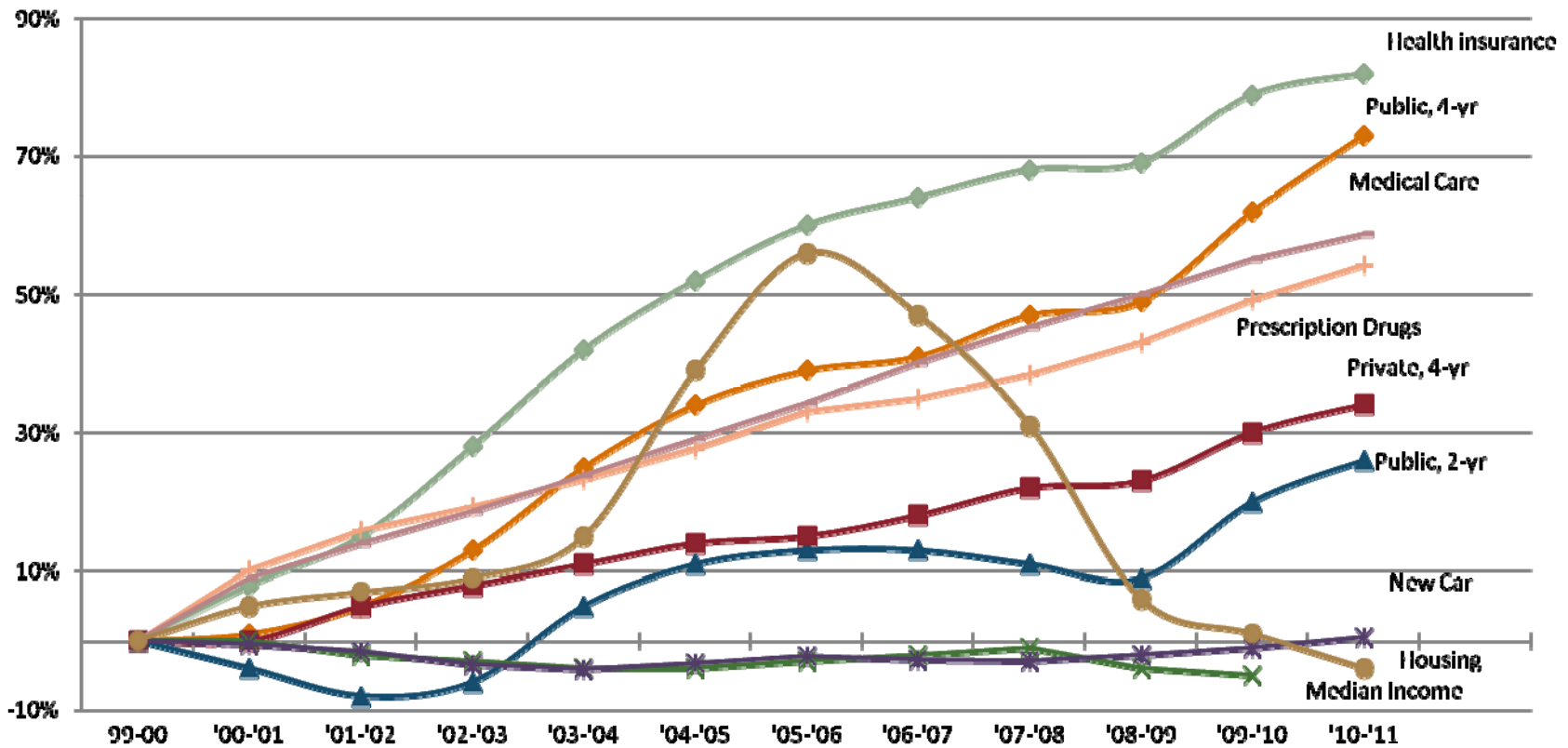
Source: Delta Cost Project IPEDS Database, 1987-2009, 11-year matched set.

Idea #2

Prices are increasing faster than costs

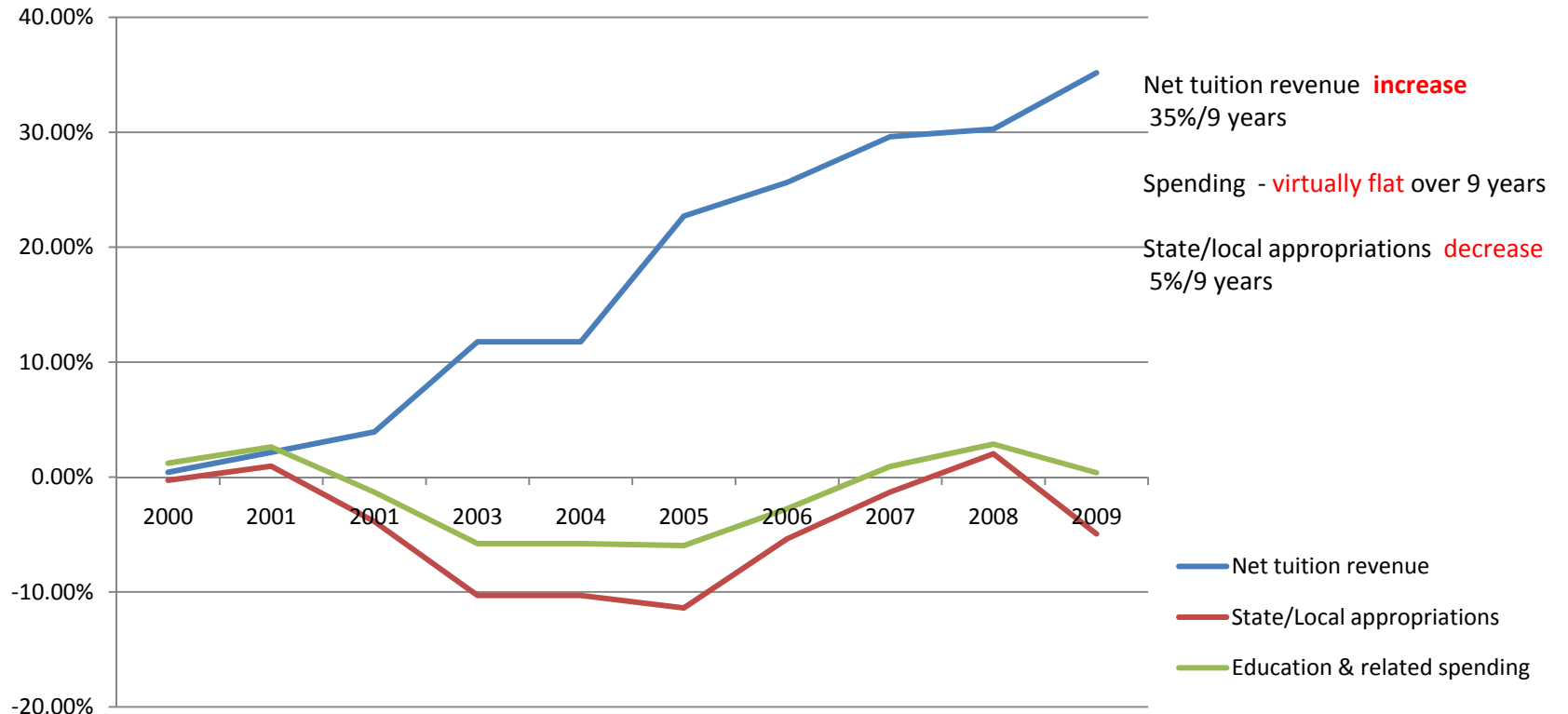
College Prices Growing ...

% Change in College Sticker Price against other consumer Areas – 1999/00 – 2010/11



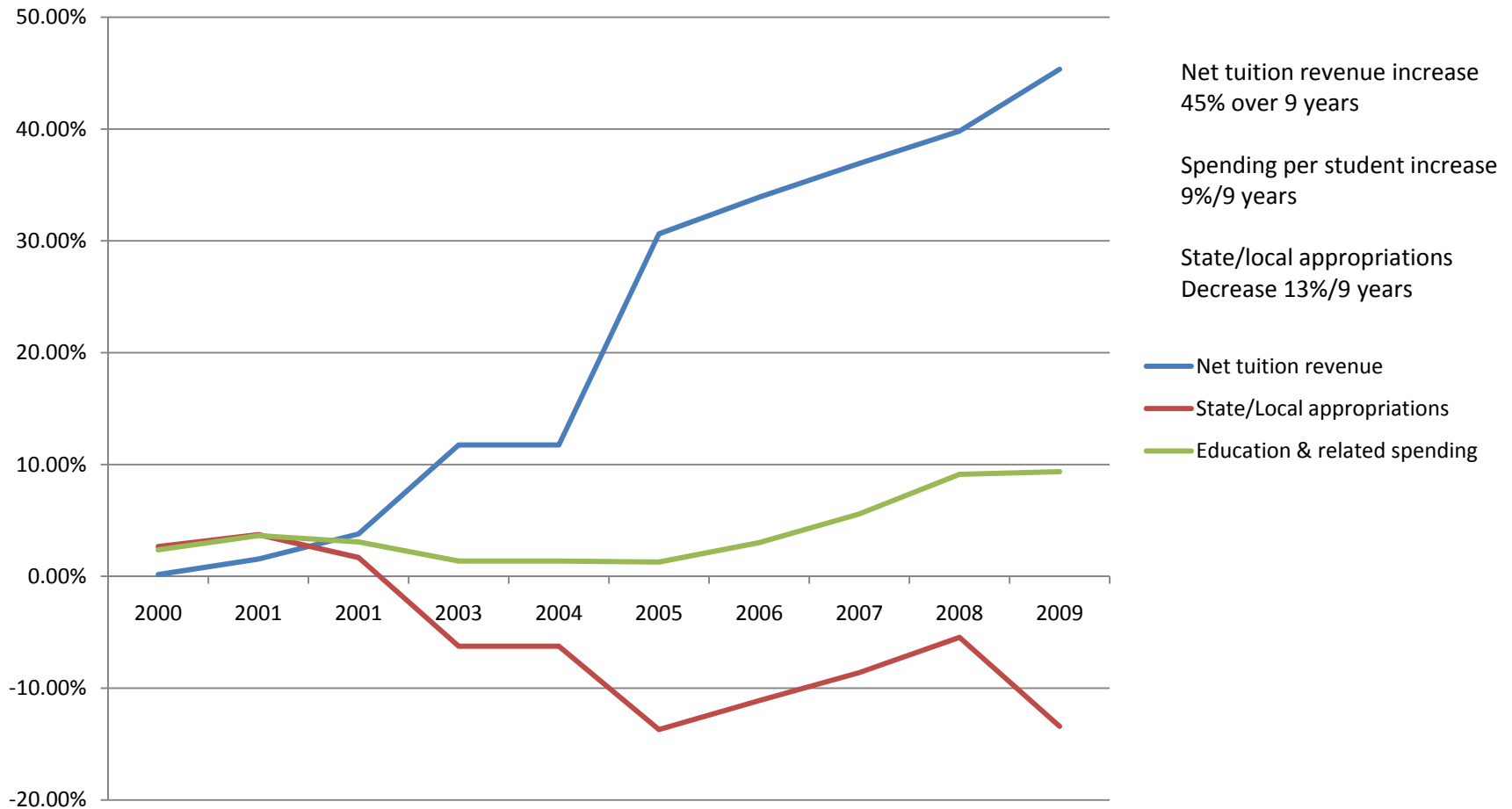
The unsustainable cost model

Gaps in tuition revenue v. spending, public community colleges, 2000 - 2009



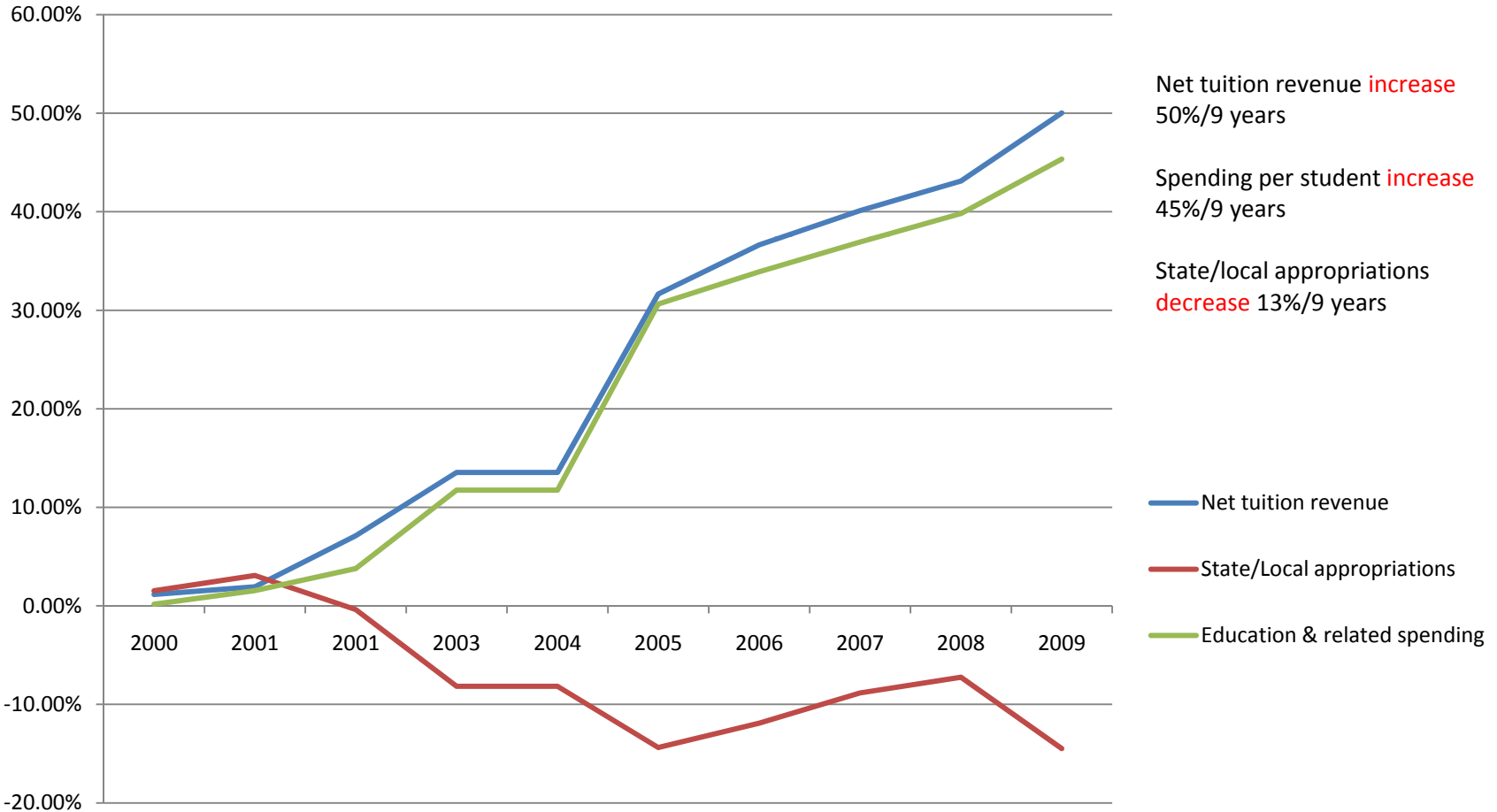
All figures are in 2009 constant dollars, per FTE student. Source, Delta Data base.

Gaps in tuition revenue v. spending, public masters' institutions, 2000 – 2009



All figures are in 2009 constant dollars, per FTE student. Source, Delta Data base.

Gaps in tuition revenue v. spending, public research universities, 2000 – 2009



Net tuition revenue **increase**
50%/9 years

Spending per student **increase**
45%/9 years

State/local appropriations
decrease 13%/9 years

- Net tuition revenue
- State/Local appropriations
- Education & related spending

All figures are in 2009 constant dollars, per FTE student. Source, Delta Data base.

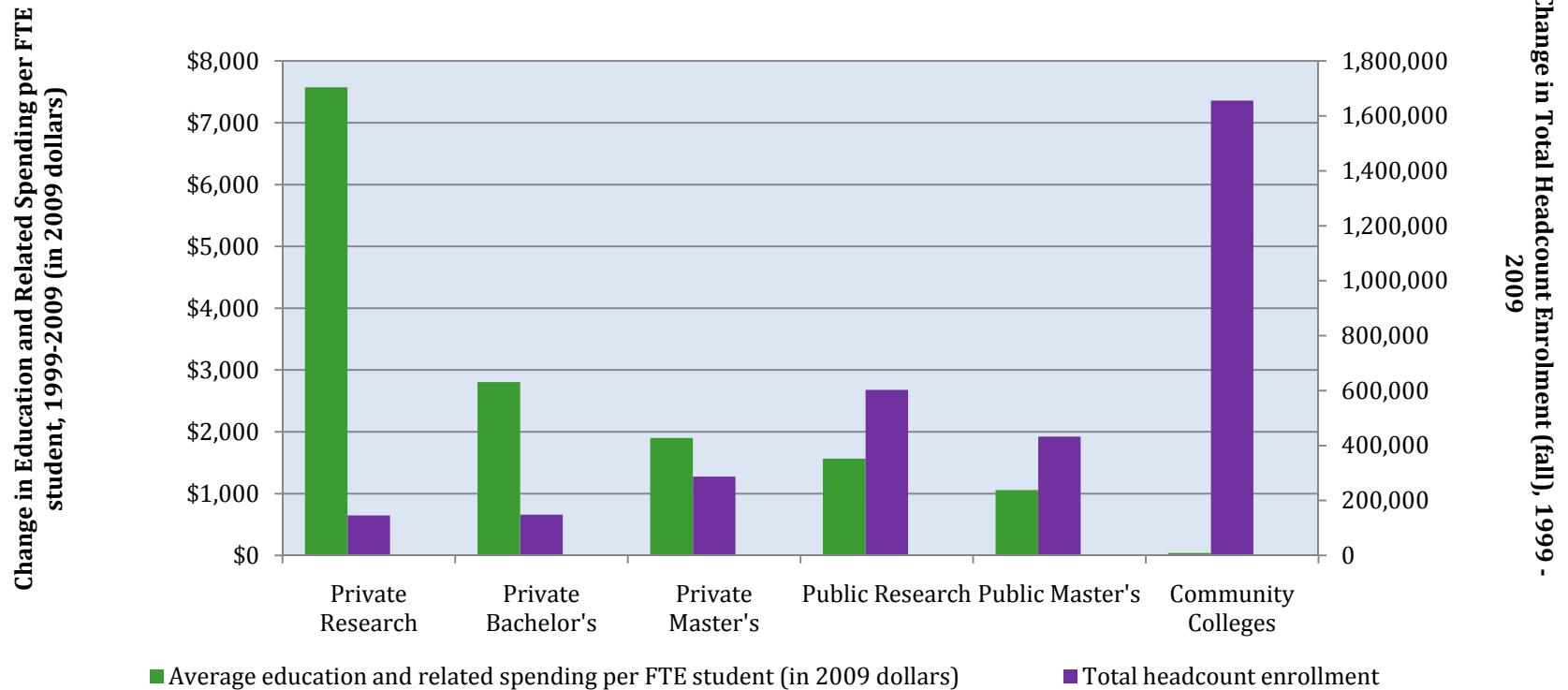
Idea #3

Money here.....

....students there

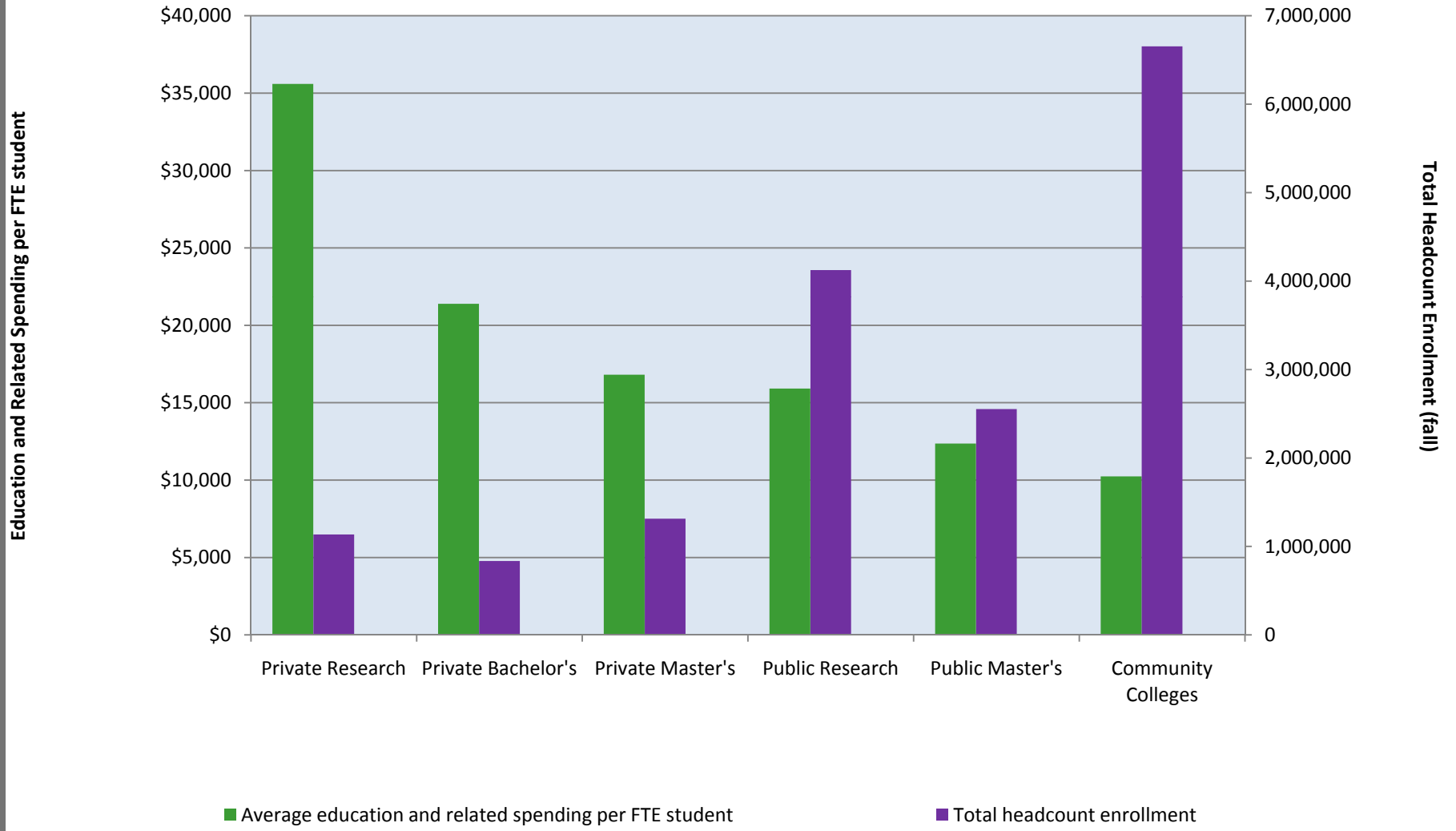
New money versus new students

Change in Enrollment vs. Change in Spending, AY1999-2009



Source: Delta Cost Project IPEDS Database, 1987-2009; spending data from the 11-year matched set; enrollment data from the unmatched set.

Spending per student versus enrollment by sector, AY 2009



Source: Delta Cost Project IPEDS Database, 1987-2009; spending data from the 11-year matched set; enrollment data from the unmatched set.

Idea #4

Increasing benefit costs

Benefit costs are the largest area of increased spending in higher education

Trends in Labor Costs - 2002-2008

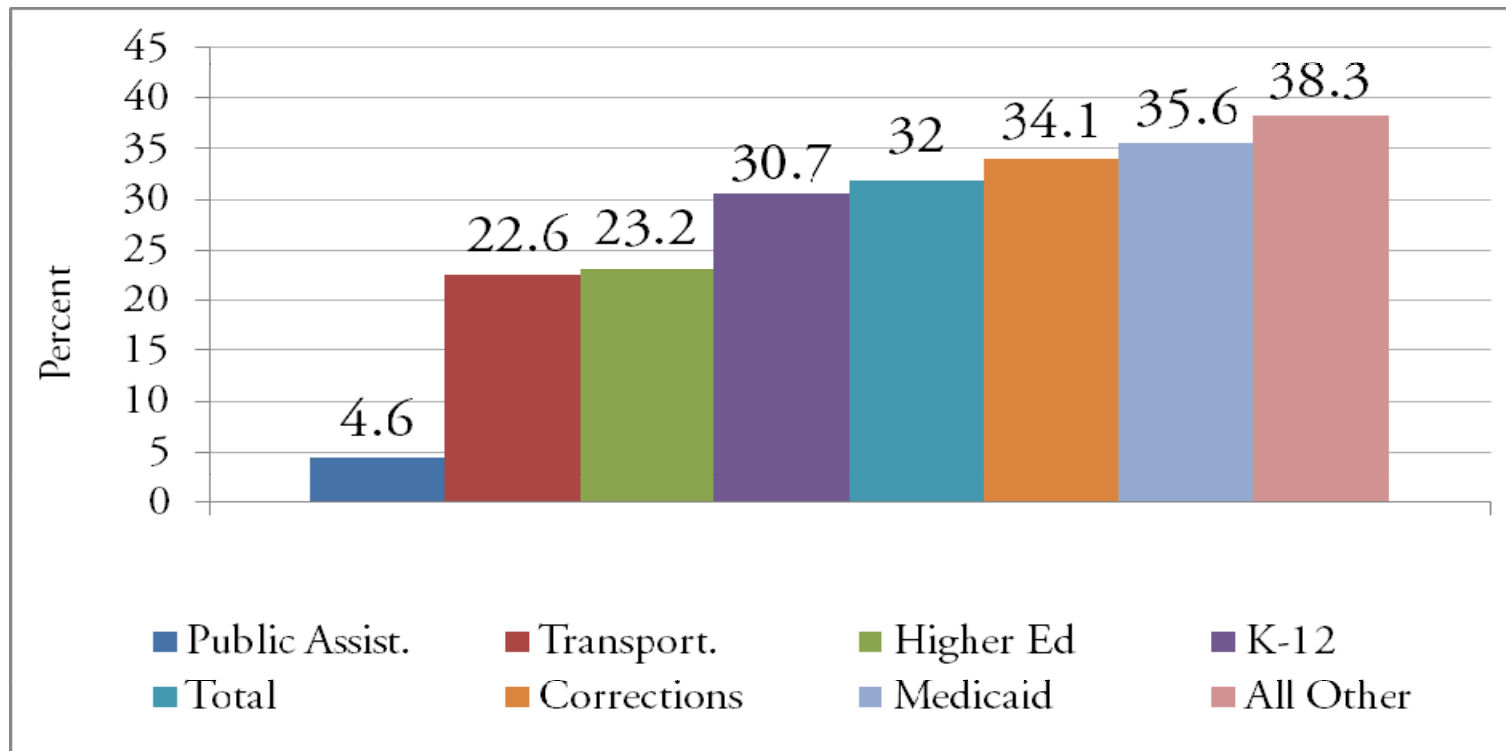
	Salary outlay per employee	Benefit cost per full-time employee
Public institutions		
Research	0.9%	5.2%
Master's	-0.6%	4.6%
Community colleges	0.7%	5.2%
Private institutions		
Research	-0.3%	1.6%
Master's	-0.8%	2.4%
Bachelor's	-0.5%	1.3%

Idea #5

Health Care will continue to crowd out funding for higher education for the foreseeable future

All Areas of State Government Increased in the Last Decade

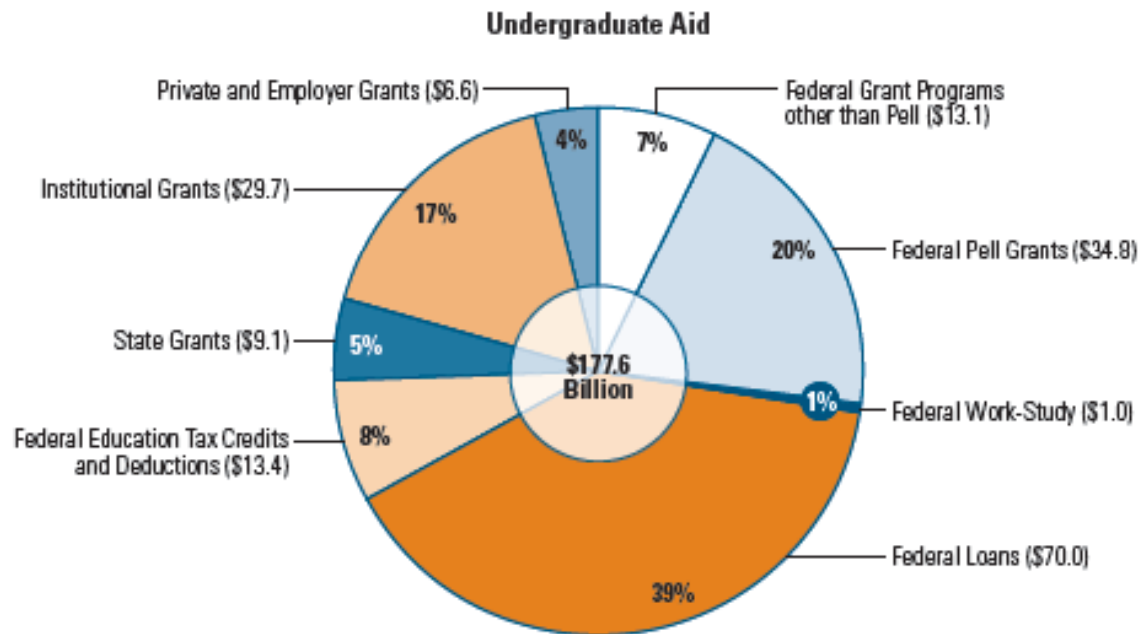
Figure 4: Percentage Growth in Spending Categories Between FY 2000 & FY 2010 (General Funds)



Sources: NASBO 2001 and 2009 State Expenditure Reports

The federal government now supplies 74% of all student aid

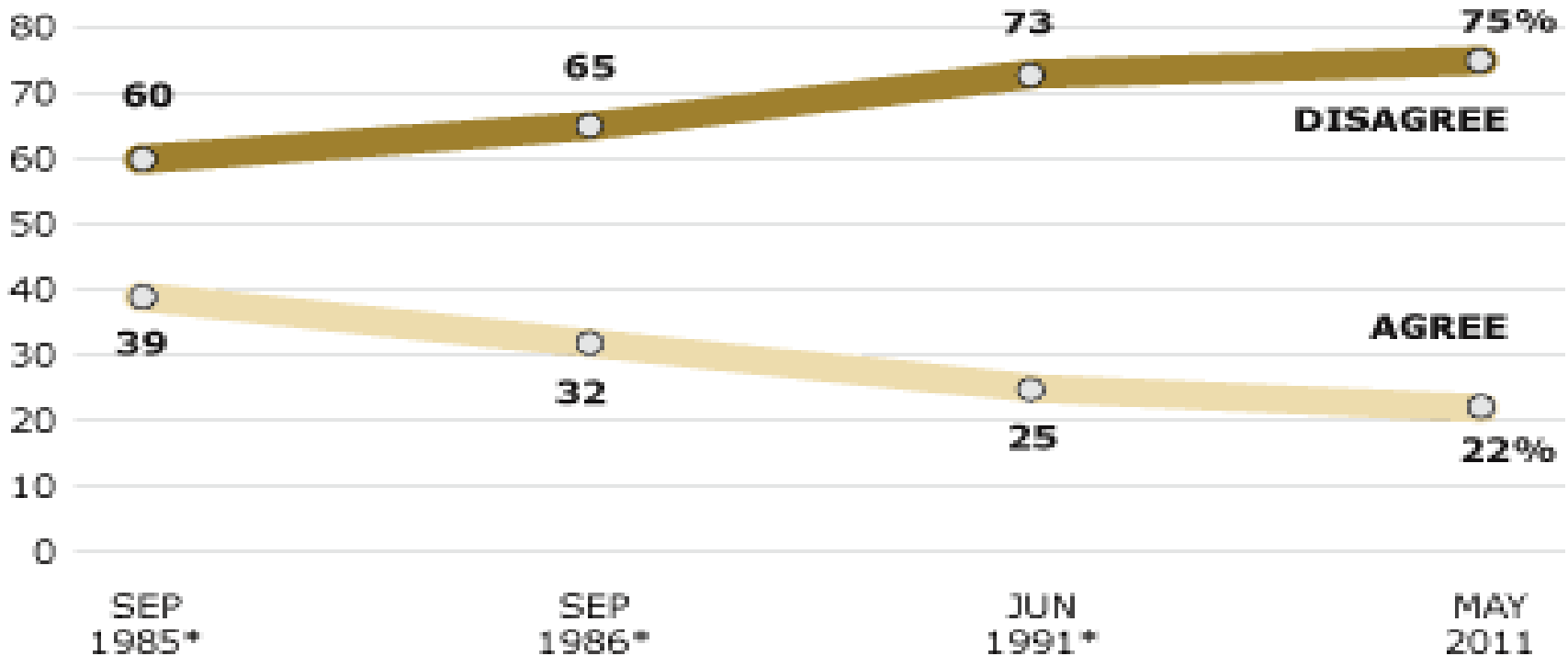
Undergraduate Student Aid by Source and Type (in Billions), 2010-11



Idea #6

Skepticism about higher education spending and performance remains strong

A declining share of Americans agree that a college education is affordable



* Council for Advancement and Support of Education

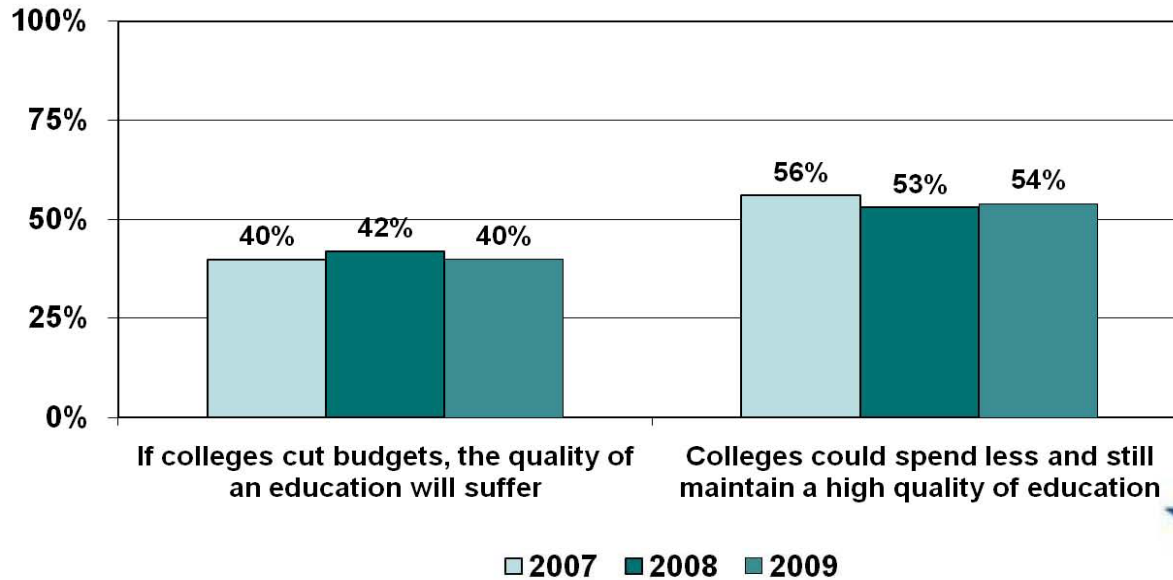
Do you agree or disagree with the following statement: College costs in general are such that most people are able to afford to pay for a college education. (*Asked of general public*)

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How are we being asked to change?

Money and Quality

Q: Which comes closest to your own view?



Idea #7

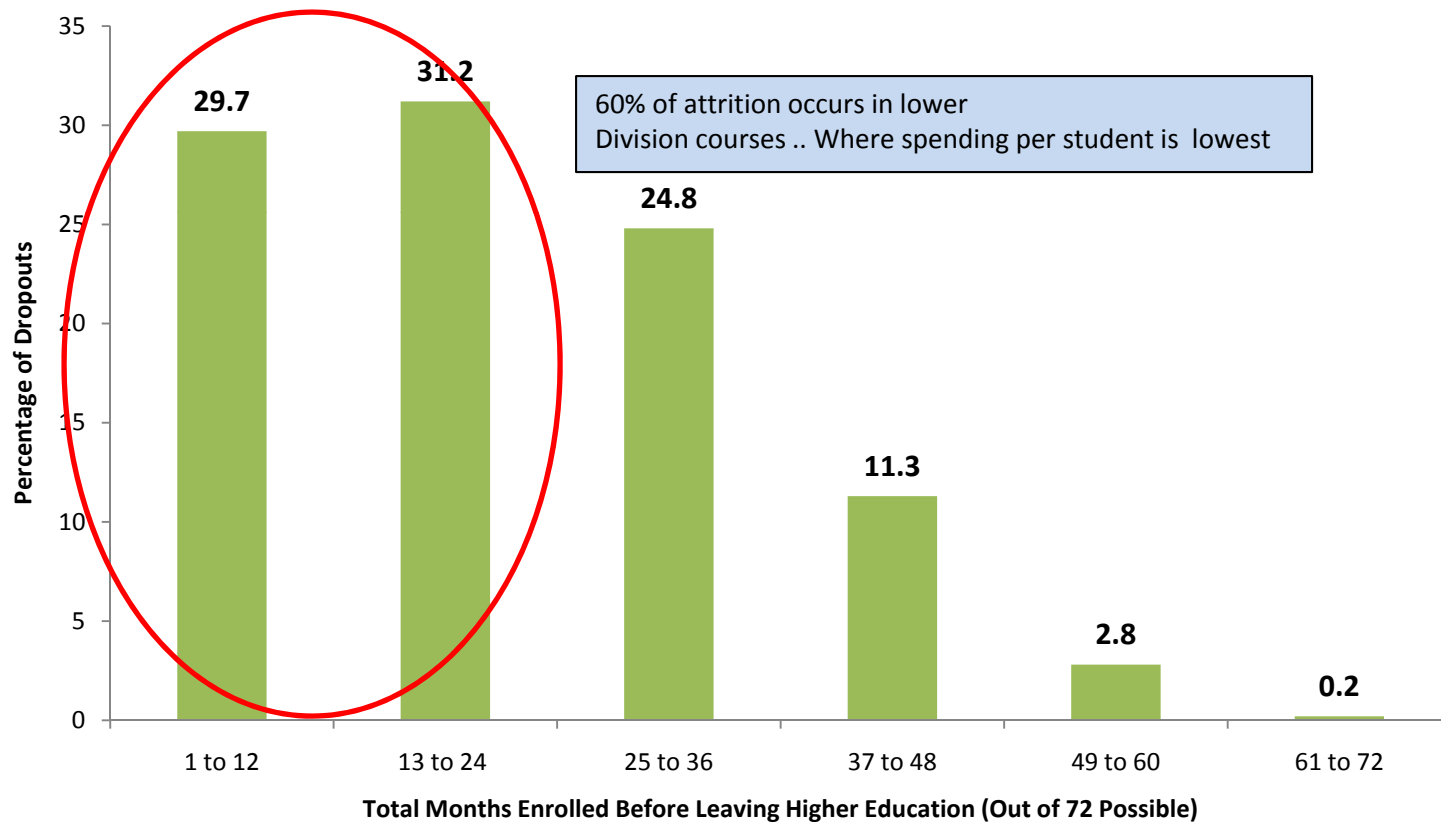
The way that money is spent within institutions
makes a difference in student success – and quality

Credit Hour Distribution and Average instructional costs
Public-four year averages, 4-state cost study (SUNY, Florida, Ohio, Illinois)

	% of all credits taken	% of total spending on instruction	Avg weighted cost/credit
Lower Division	36%	23%	1.00
Upper Division	48%	44%	1.42
Grad 1	12%	23%	2.88
Grad 2	4%	9%	4.00
	100%	100%	1.55

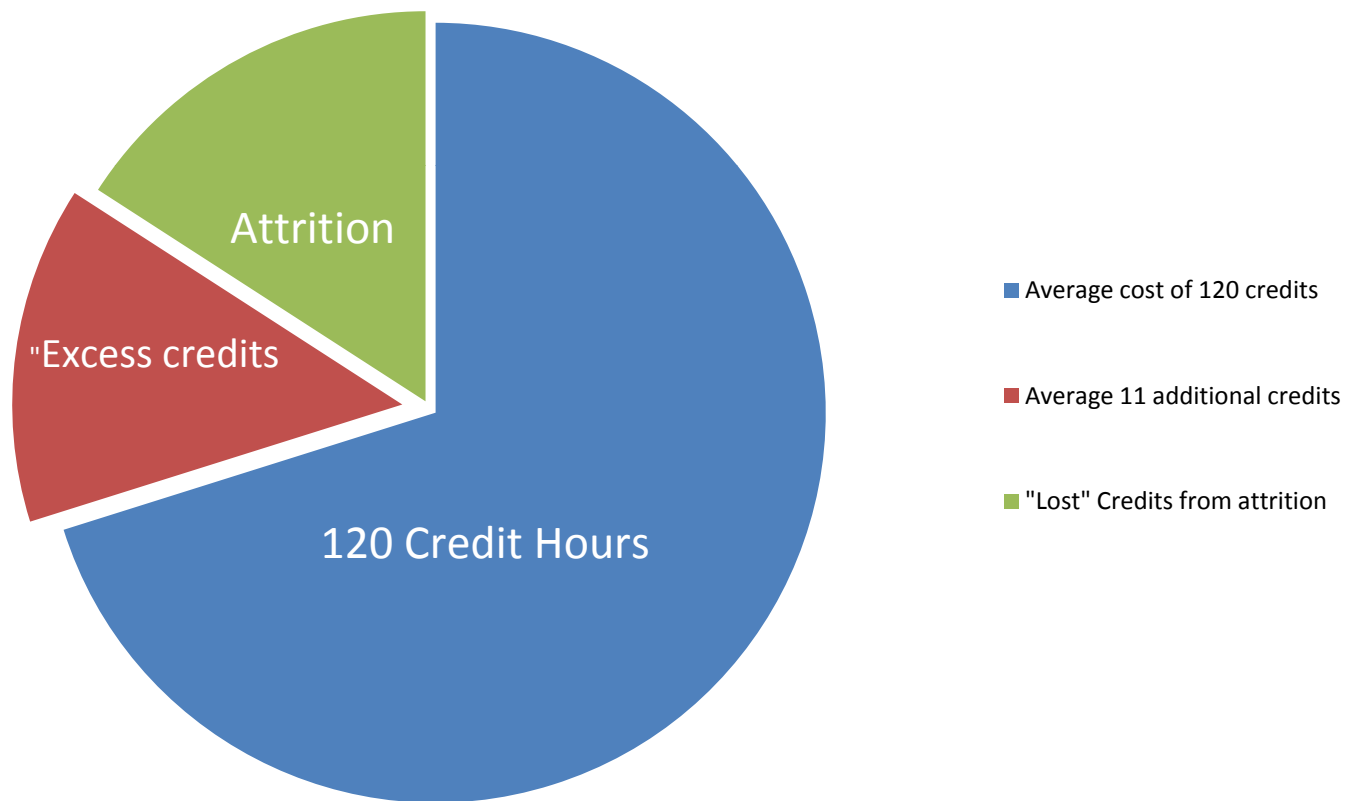
Source: SHEEO, 2010.

Percentage of All Dropouts by Cumulative Months Enrolled, Beginning Postsecondary Students 2003-04



Source: NCES, BPS, undergraduates only.

In one study, BA Degree production costs increased an average of 40% from excess credits and attrition



“What does a college degree cost?” Nate Johnson, Delta Cost Project 2009.

Conclusions

1. The money we have is the money we'll have
2. Need to both cut non-academic costs where we can AND restructure instructional spending
3. Focus on spending based on outcomes
4. Need to do a better job of using data to make \$ decisions
5. Need to do a better job of demonstrating cost effectiveness to public and to policy makers
6. Need to be leveraging systems