

Fashioning Effective Higher Education Finance Policy

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Presented to the

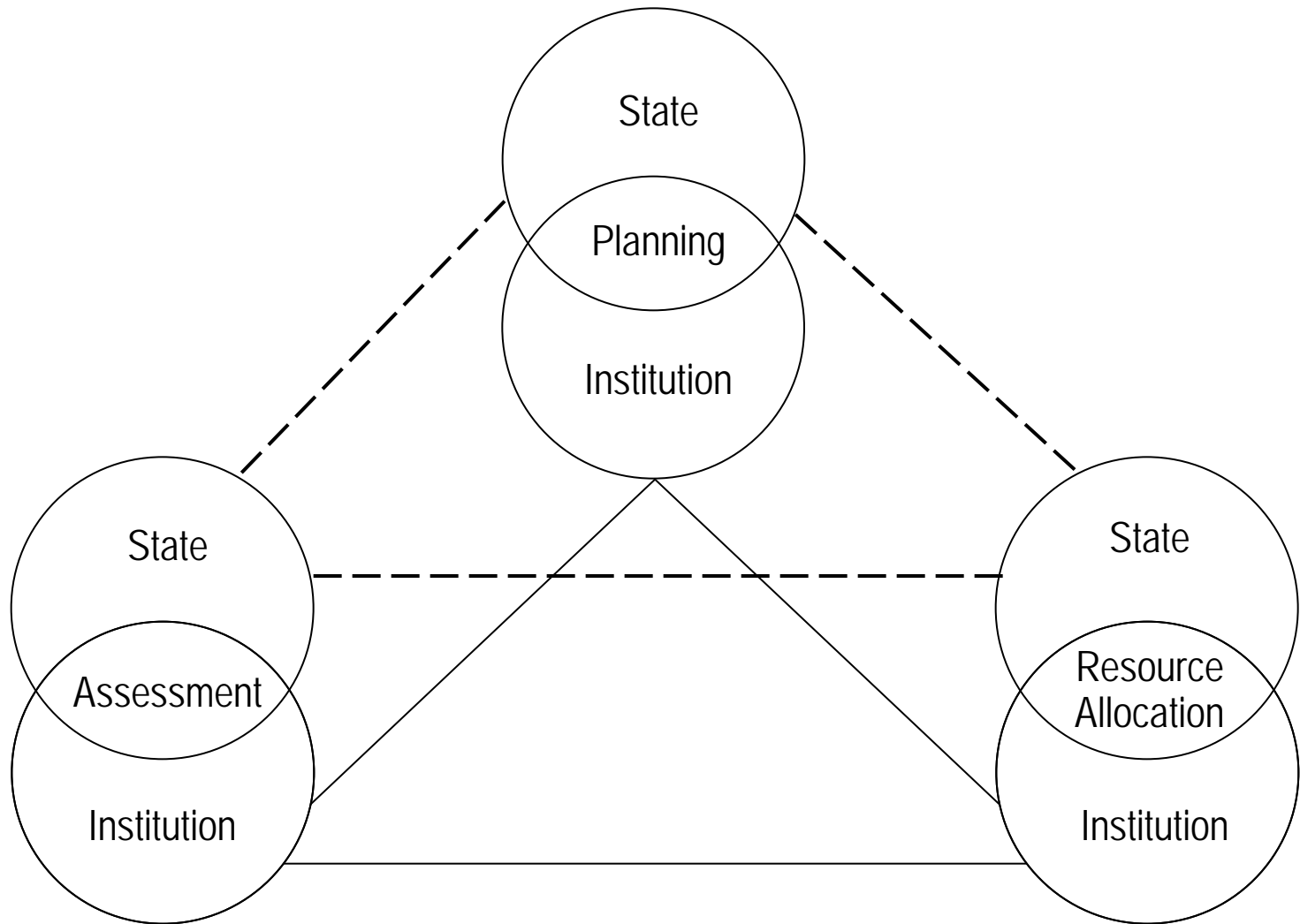
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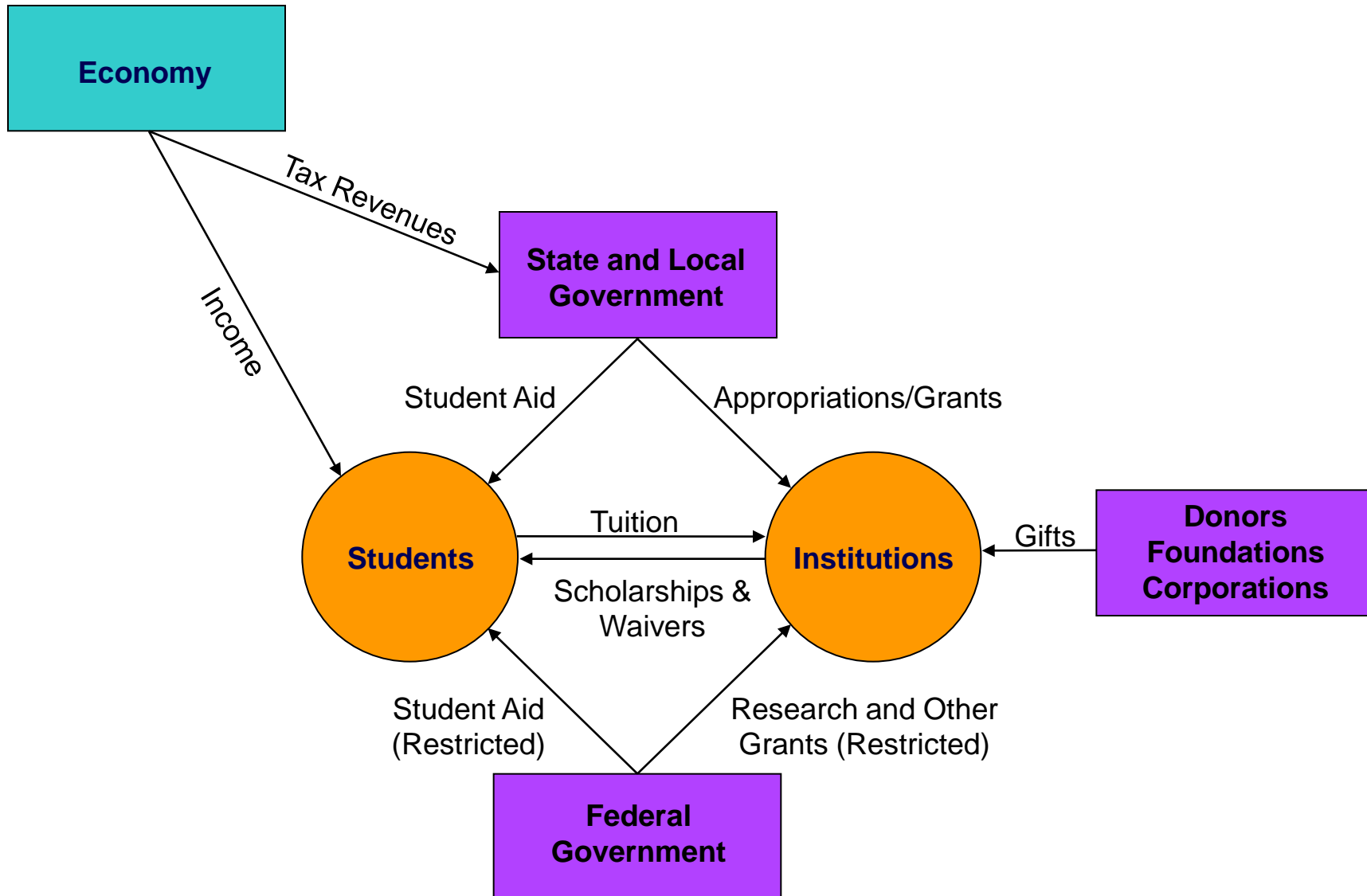
The Management Cycle in a Public Institution



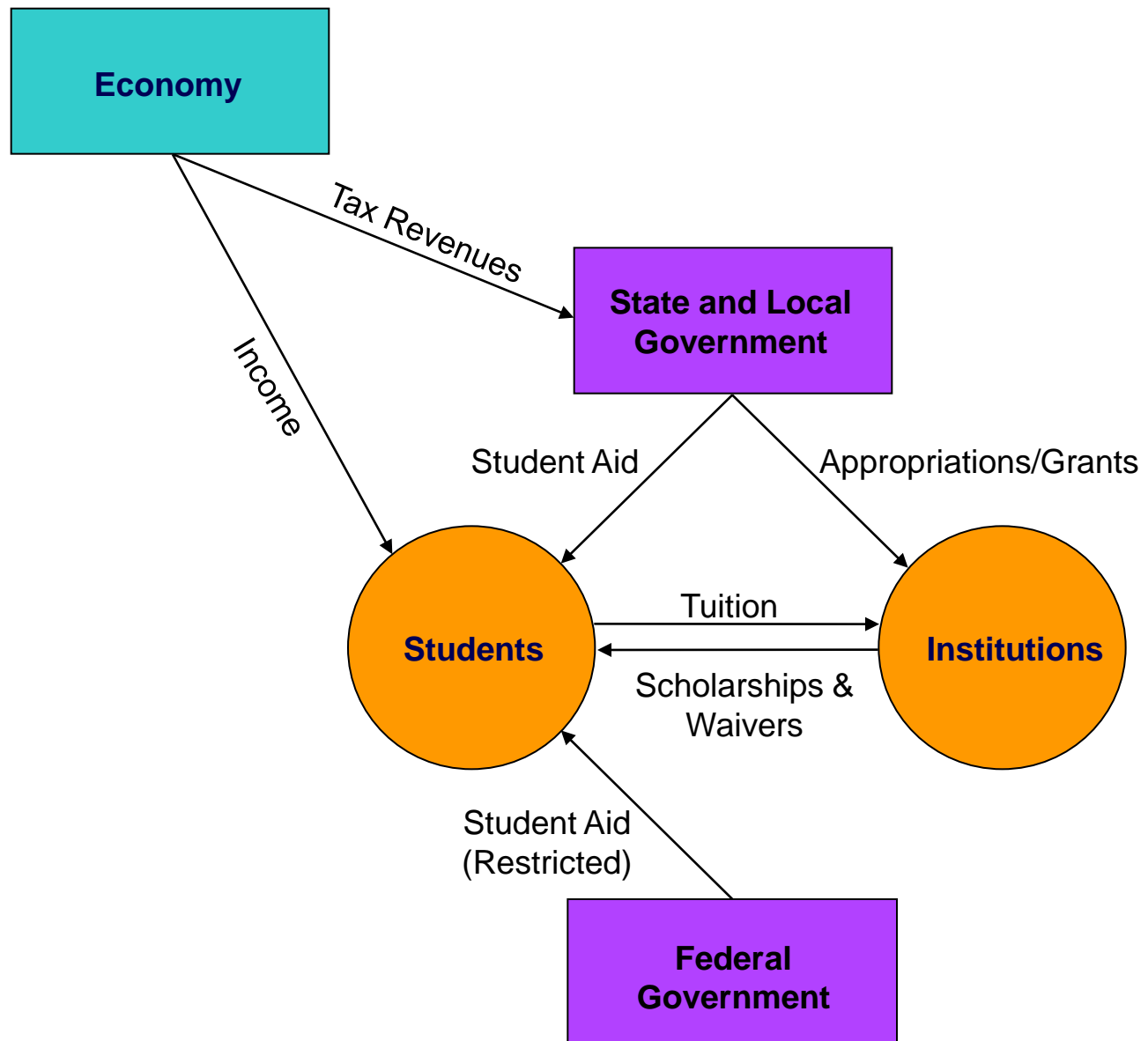
State Policy Objectives

- 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

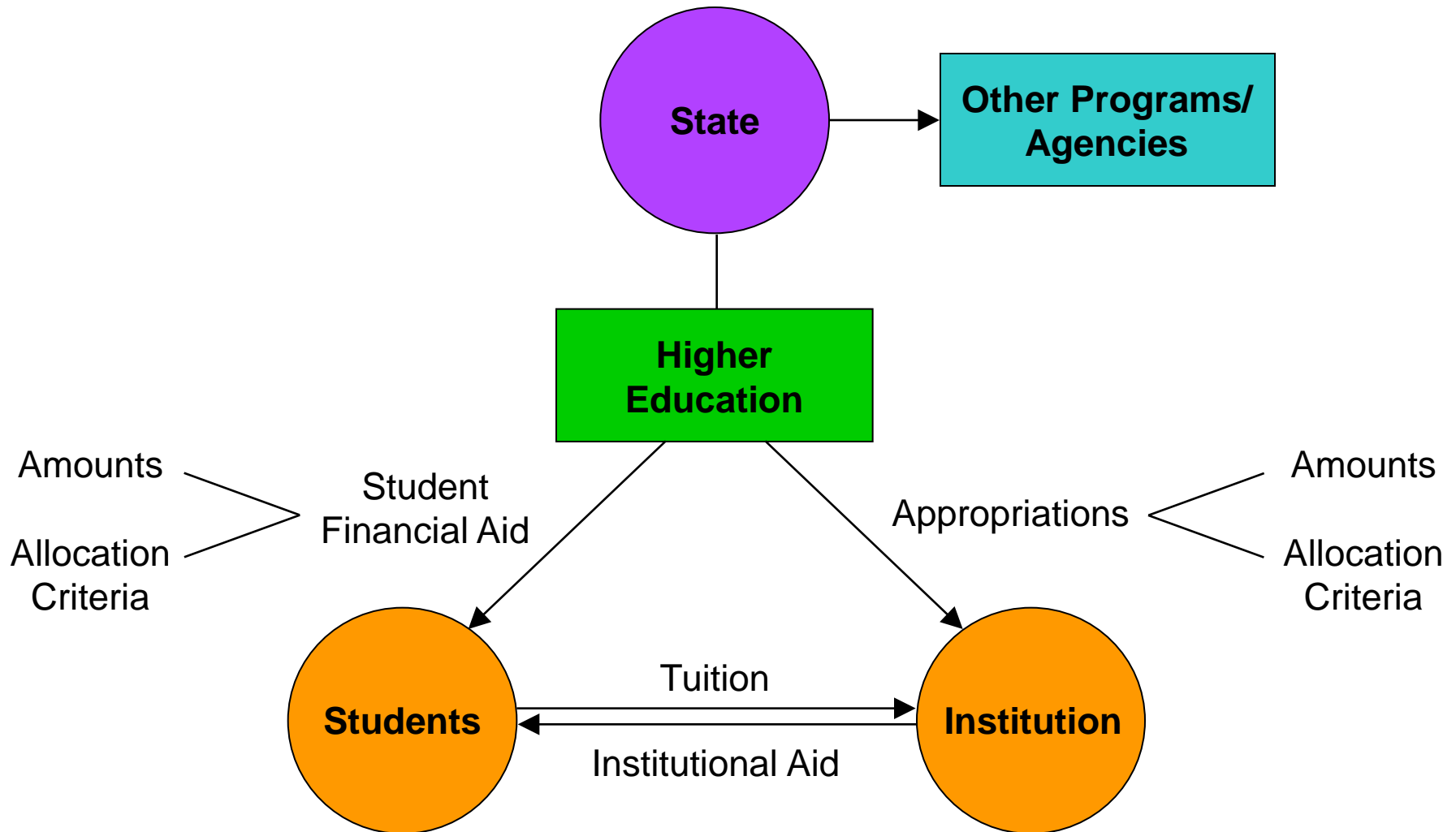
The Flow of Funds



The Flow of Funds



The Domain of State-Level Decisions Regarding Financing of Higher Education



Alignment of Policies

Regarding:

- Appropriations to Institutions
- Tuition and Fees
- State Student Financial Aid
- Institutional Student Financial Aid
- Use of Funds from Other Funders

Alignment Means...

- Appropriations, Tuition and Financial Policies Working Intentionally Together
- Not—as Is Usually the Case:
 - Appropriation Leads
 - Tuition Follows
 - Financial Aid Tries to Keep Up

Criteria for Effective Policy

- Reinforce State Priorities
- Maintain Necessary Institutional Capacity
- Contributions Required Are Affordable—State and Students
- Viewed as Being Fair
- Transparent
- Incentives for Institutional Responsiveness and Entrepreneurship

Criteria from Perspective of Different Stakeholders

State

- Maintenance of Institutional Capacity
- Promotes Achievement of Priority Outcomes
- Affordable

Students

- Affordability
- Value

Institutions

- Adequacy
- Equity
- Stability

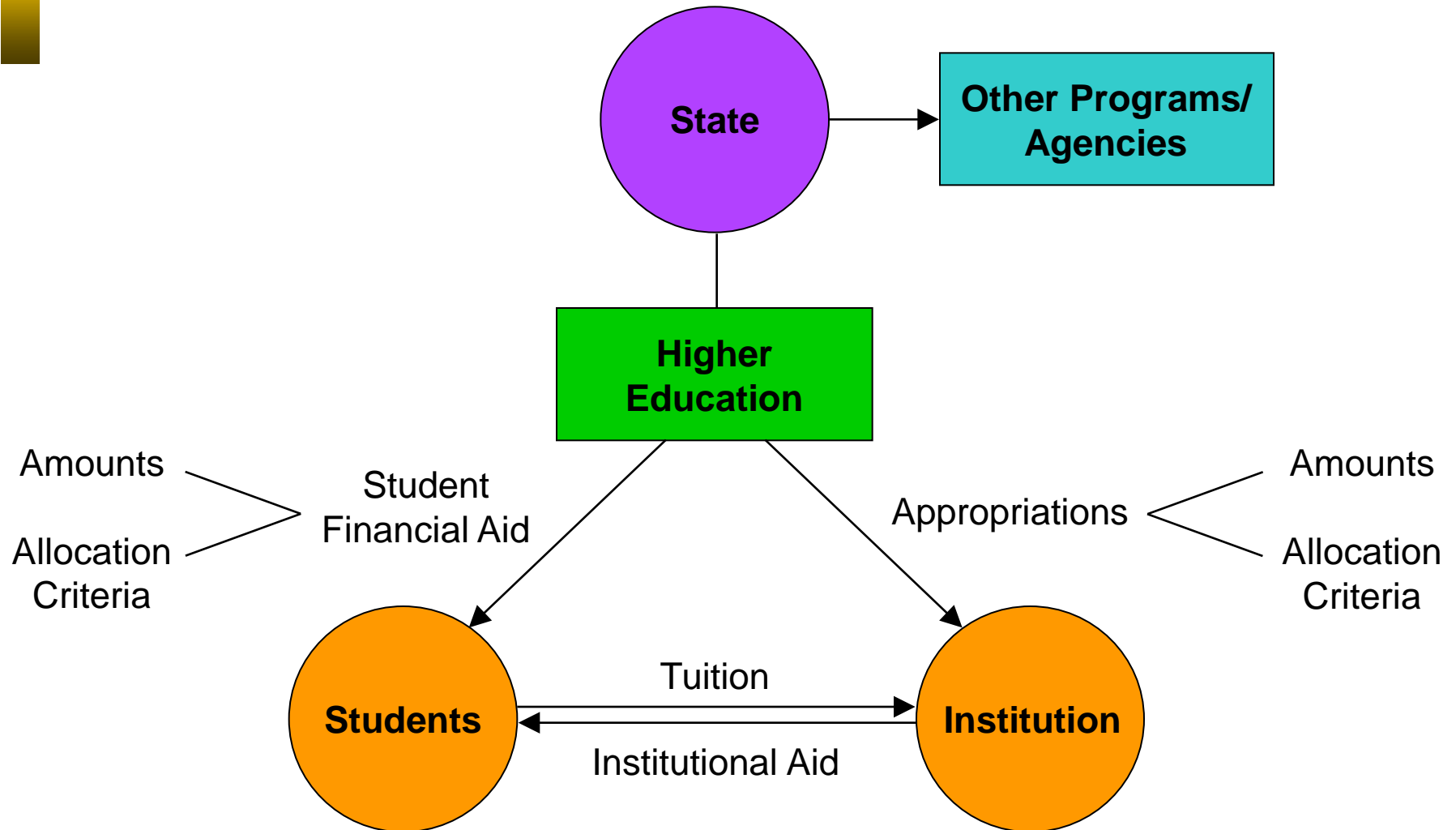
The Two Purposes of State Funding Policy

- Build Core Capacity—General Purpose Funding
- Promote Capacity Utilization Around State Priorities—Special Purpose Funding

Basic Questions at State Level

- How Much to Allocate
- To Which Recipients—Students or Institutions
- Using Which Mechanisms

The Domain of State-Level Allocation Decisions



Finance Policy—The Options

	Institution Focused	Student Focused
Core Capacity	<ul style="list-style-type: none">■ Base-Plus■ Formulas	Tuition and Aid Policy Focused on Revenue Generation
Capacity Utilization/ Public Agenda	Performance Funding	Tuition and Aid Policy Focused on Attainment of Specified Outcomes <ul style="list-style-type: none">■ Need-Based■ Merit-Based

Funding to Institutions—Core Capacity

- Base-Plus
- Formulas
- Investment Funds

Funding to Students—Core Capacity— Revenue Generation

- Base Institutional Tuition
- Mandatory Fees
- Out-of-State Tuition
- Differential Tuition
- Scholarships and Fellowships

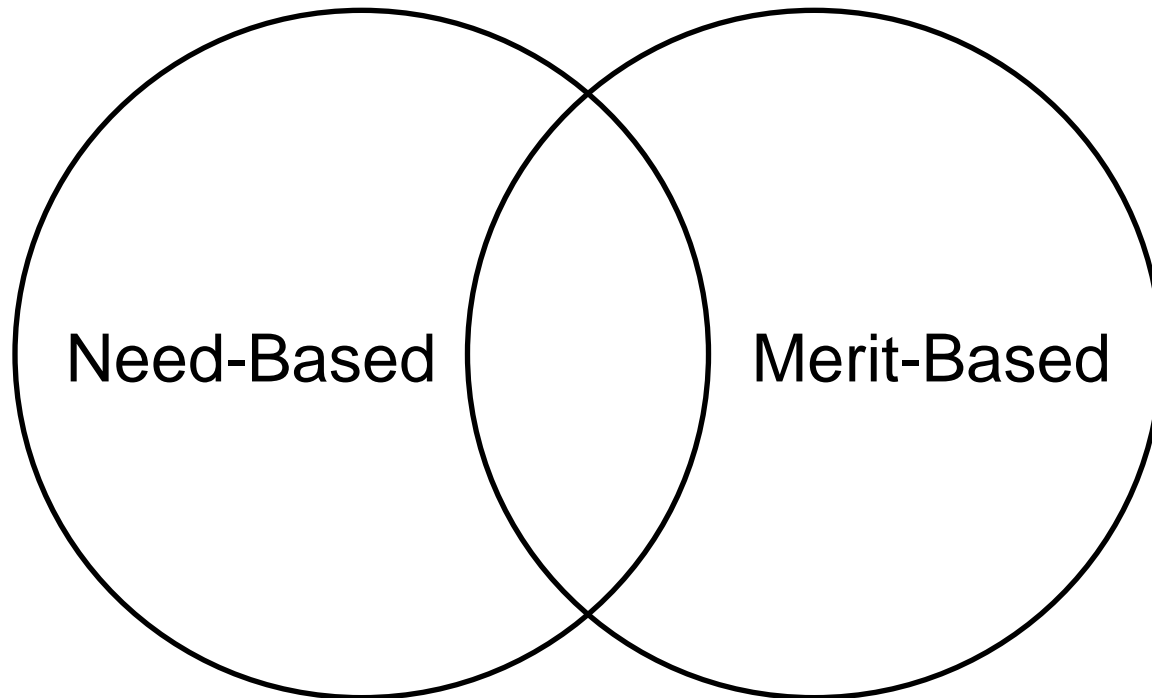
Funding Institutions—Capacity Utilization

- Performance Funding

Funding Students—Capacity Utilization

- Need-Based Aid
- Merit-Based Aid

Relationships Between “Need-Based” and “Merit-Based” Aid



Conclusions

Cost-Effective Policy Requires:

- Clear Understanding of Priorities
- Creation/Maintenance of Necessary Capacity
- Alignment of Policies Concerning:
 - Institutional Support
 - Tuition and Fees
 - State Student Financial Aid
 - Institutional Support
 - Tuition and Fees
 - Institutional Student Financial Aid
- Incentives for Entrepreneurship