

# Throwing Out the Playbook: Higher Education and the New Policy Environment

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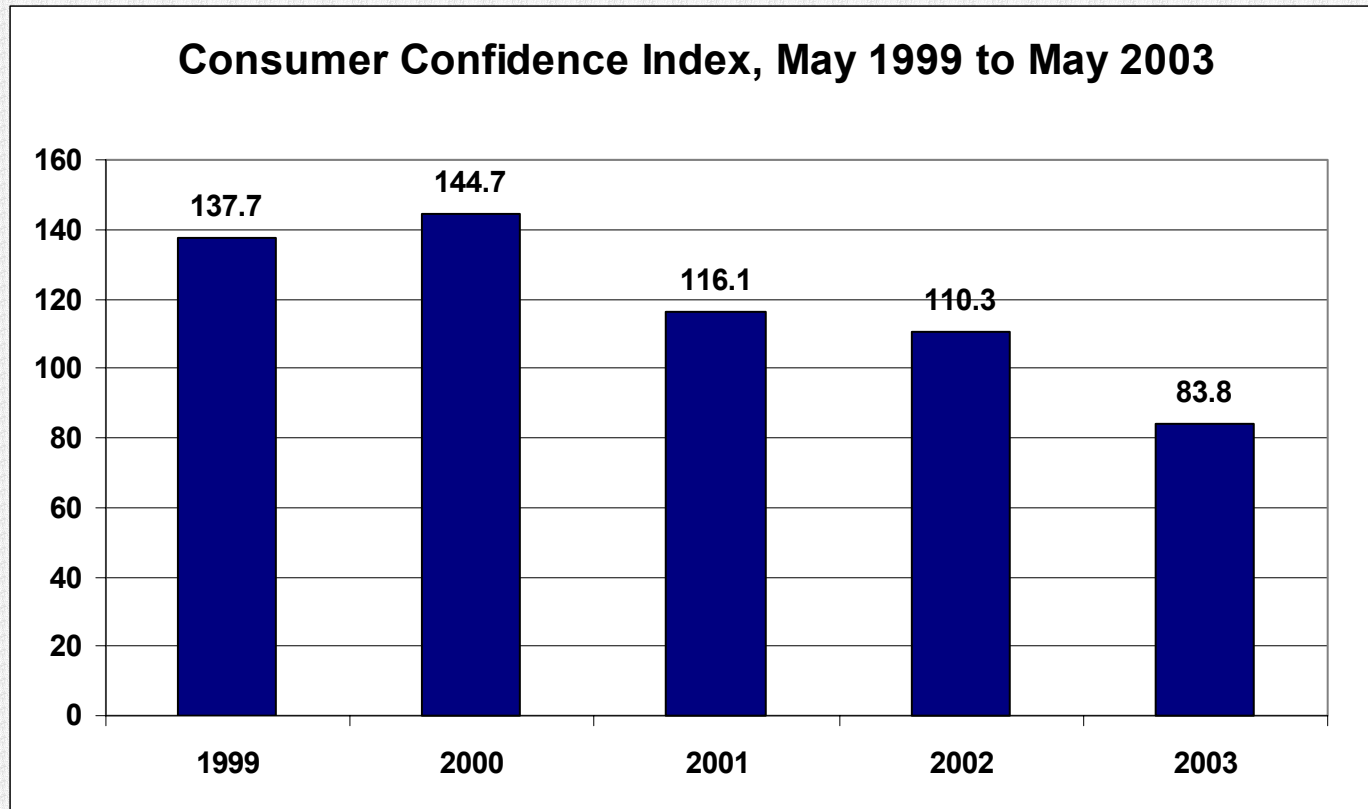
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# We've Seen That Play Before...

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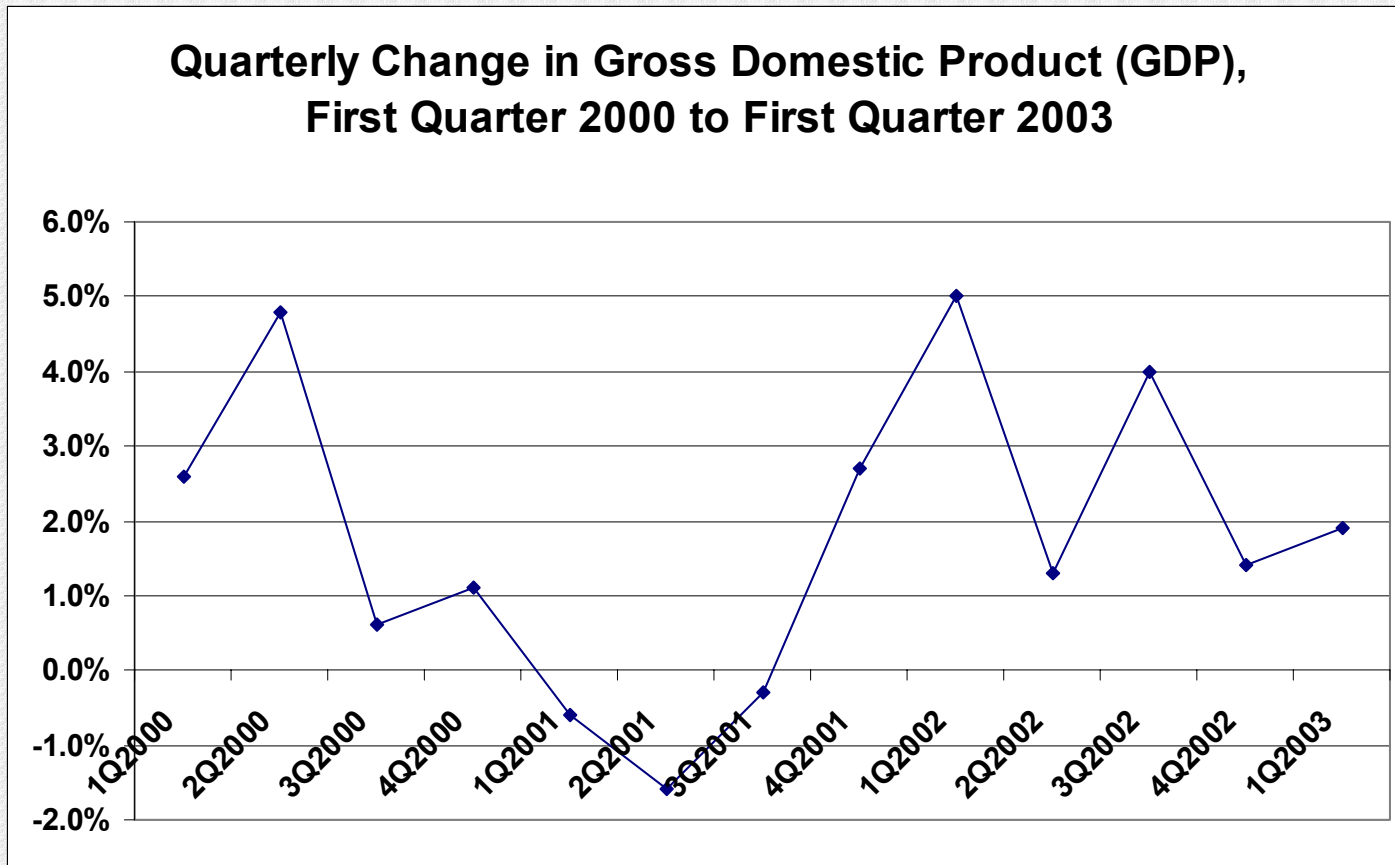
- In recent history, higher education has ridden a feast/famine, boom/bust wave in terms of resources
- Economy slows, state/federal revenues contract, endowments/donations slump, budgets are cut, and tuition goes up
- We are now in the bust/famine part of the cycle, and many are looking for the upswing
- Longer term issues lurk in the background, though

# We've Seen That Play Before...



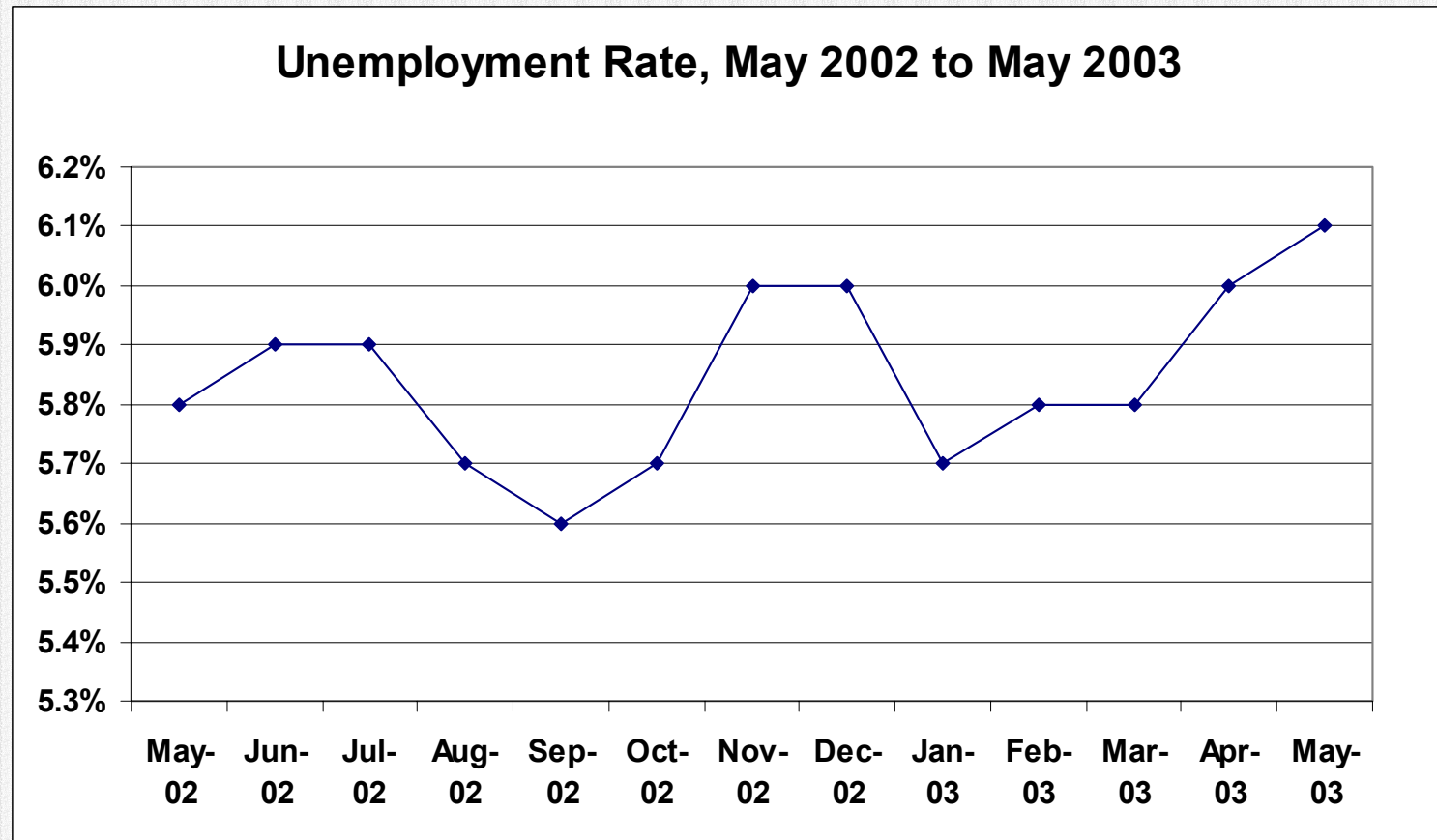
*SOURCE: The Conference Board*

# We've Seen That Play Before...



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis

# We've Seen That Play Before...



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics



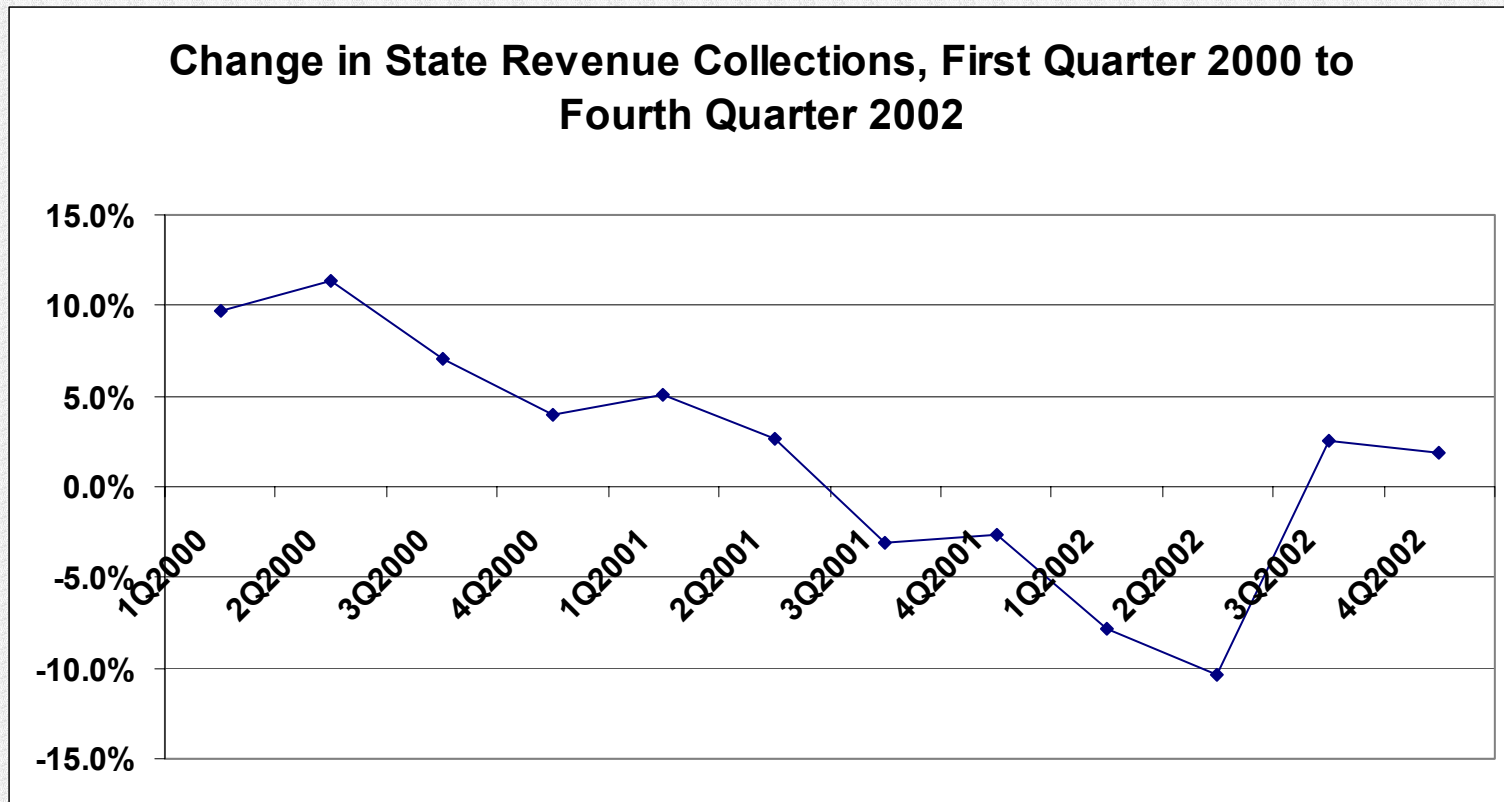
# We've Seen That Play Before...

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- The Current State Fiscal Situation
  - Year-over-year state revenue performance worst since beginning of data collection
  - Spending pressures continue (Medicaid is the budget buster)
  - States face revenue/spending gap of approximately \$75 billion for FY04 (3-year total gap of more than \$150 billion)
  - Reserves/one-time fixes mostly tapped out
  - Broad-based revenue increases still largely off the table...focus is on "sin taxes," user fees (extent of legislators' thinking on tax reform)
  - Higher education is still the favorite target...number of states posting year-to-year reduction in higher education spending has more than doubled in one year, nearly tripled in two years

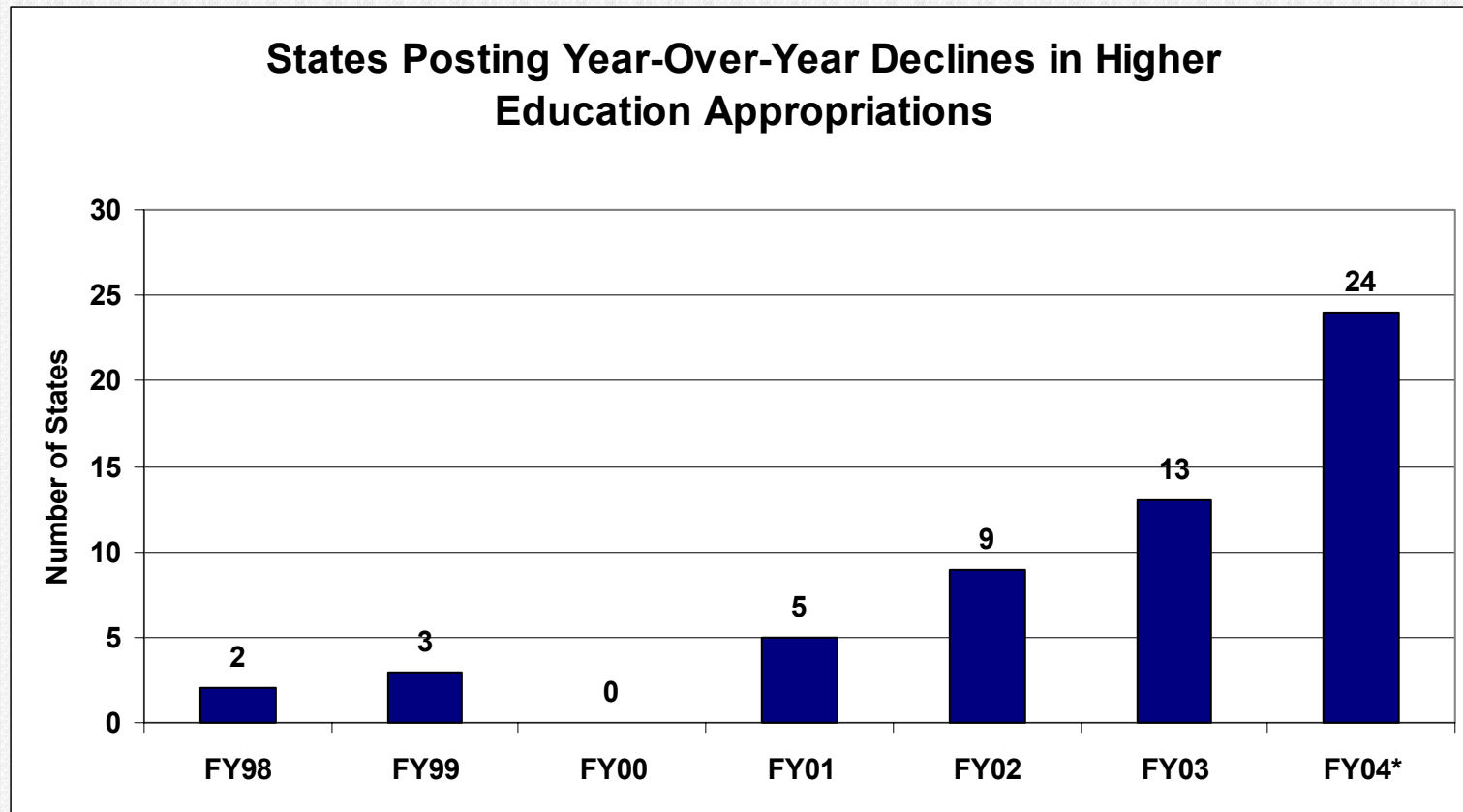
*SOURCES: National Conference of State Legislatures (NCSL), Pew Center on the States*

# We've Seen That Play Before...



SOURCE: Fiscal Studies Program, Rockefeller Institute of Government

# We've Seen That Play Before...

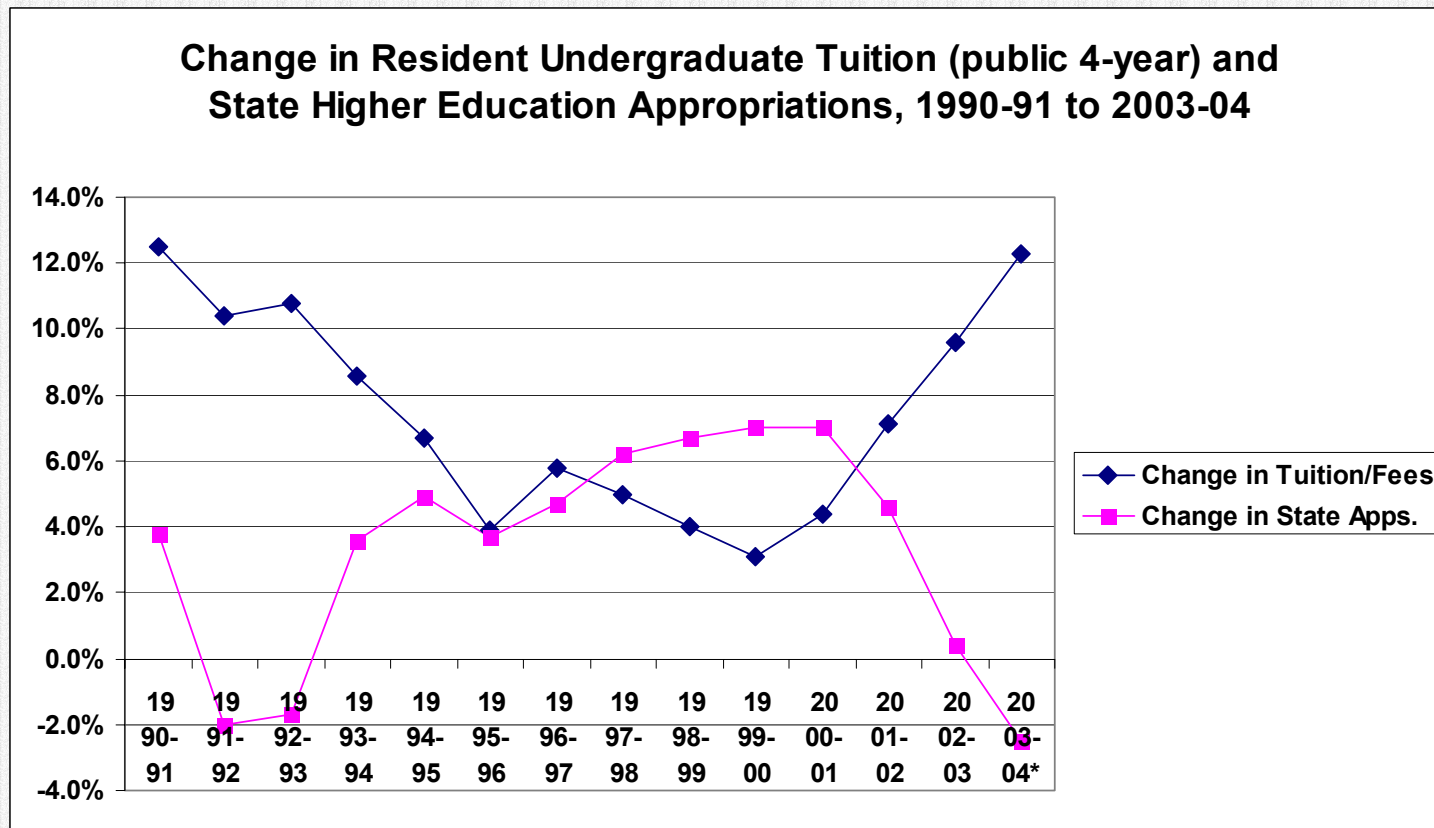


SOURCE: Grapevine (Illinois State University); State Higher Education Executive Officers (SHEEO)

\*Reflects responses from 41 states (June 2003).



# We've Seen That Play Before...



SOURCES: Grapevine (Illinois State University); The College Board  
 \*2003-04 figures reflect AASCU estimates.

## ...Or Have We??

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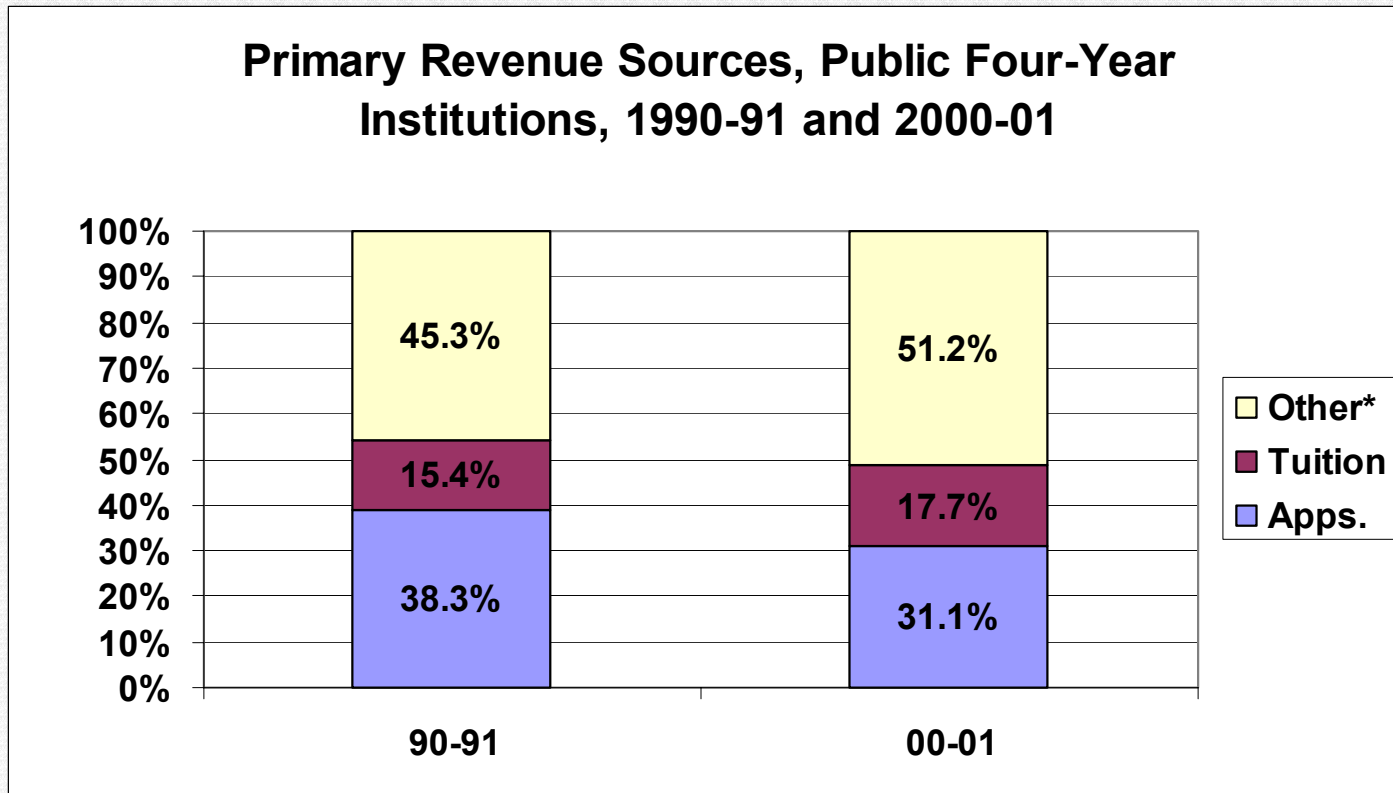
- A range of trends and indicators tell us that there are some important differences between this bust and the last..."ride it out" simply won't work
- In a nutshell: demand and expectations are up (and not just temporarily), state revenue/spending challenges are structural in nature, and focus is shifting from public to private and from institution to student

# ...Or Have We??

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- Structural Challenges for State Finances
  - “Horse and buggy” revenue systems on the information superhighway
    - Impact of fundamental economic shift (goods → services)
    - Impact of e-commerce
    - Impact of aging population (tax benefits, consumption patterns)
  - Squeeze from other levels of government
    - Local (esp. K-12)
    - Federal (general revenue policy, health care)
  - Erasure of institutional memory (tremendous turnover in 2002)
  - “Ballot box budgeting” (for 24 states with initiative/referendum)

# ...Or Have We??

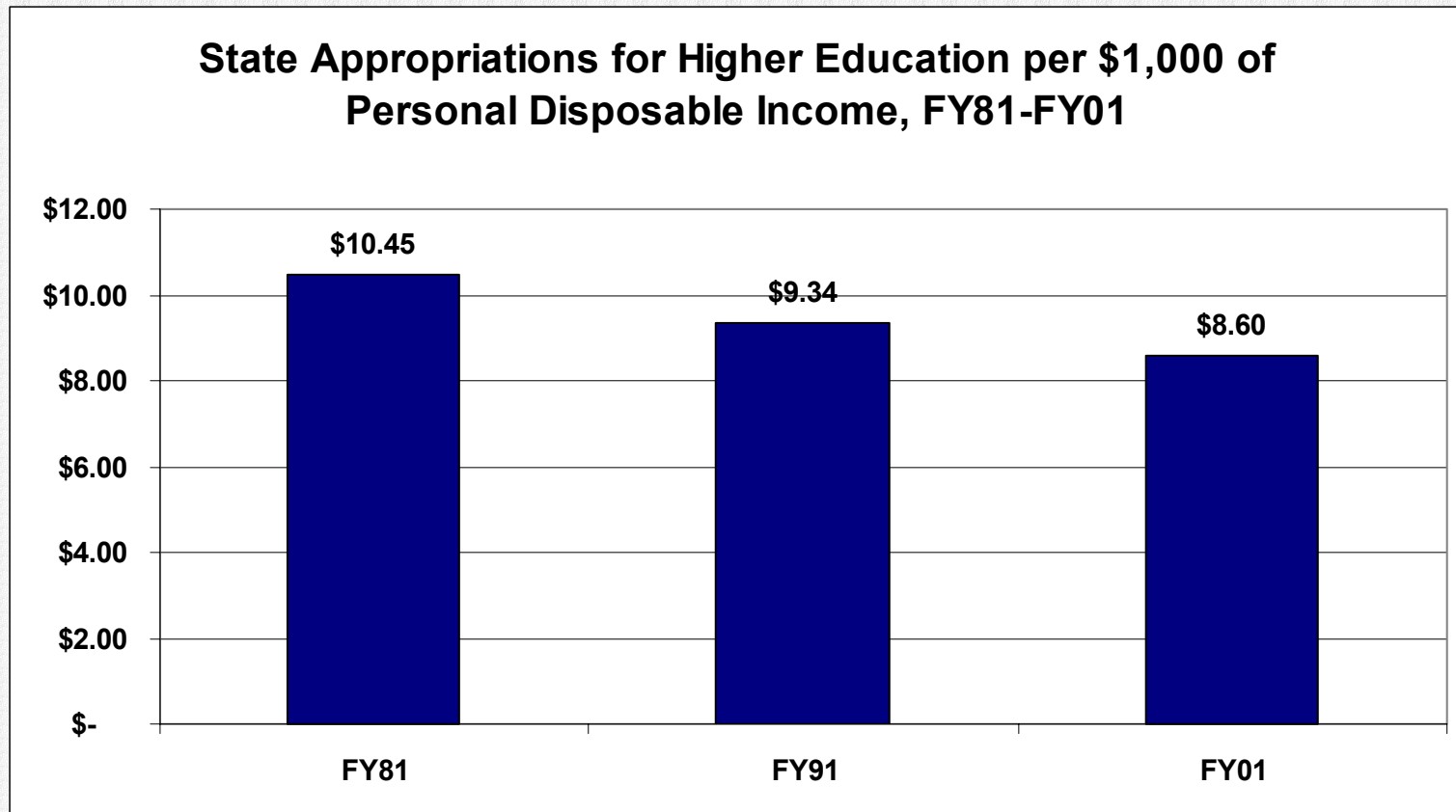


SOURCE: U.S. Department of Education, National Center for Education Statistics

\*Includes gifts/grants/contracts, endowment earnings, auxiliary enterprises.



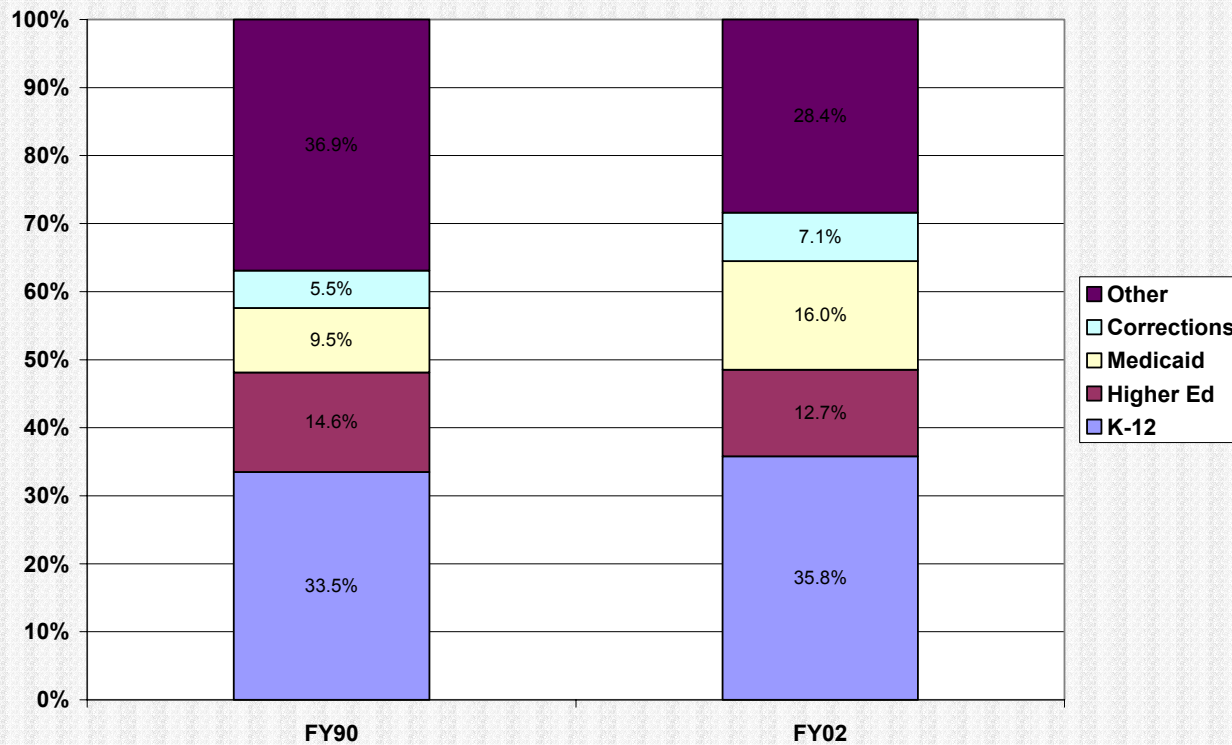
# ...Or Have We??



SOURCES: Grapevine (Illinois State University), U.S. Department of Commerce (Bureau of Economic Analysis)

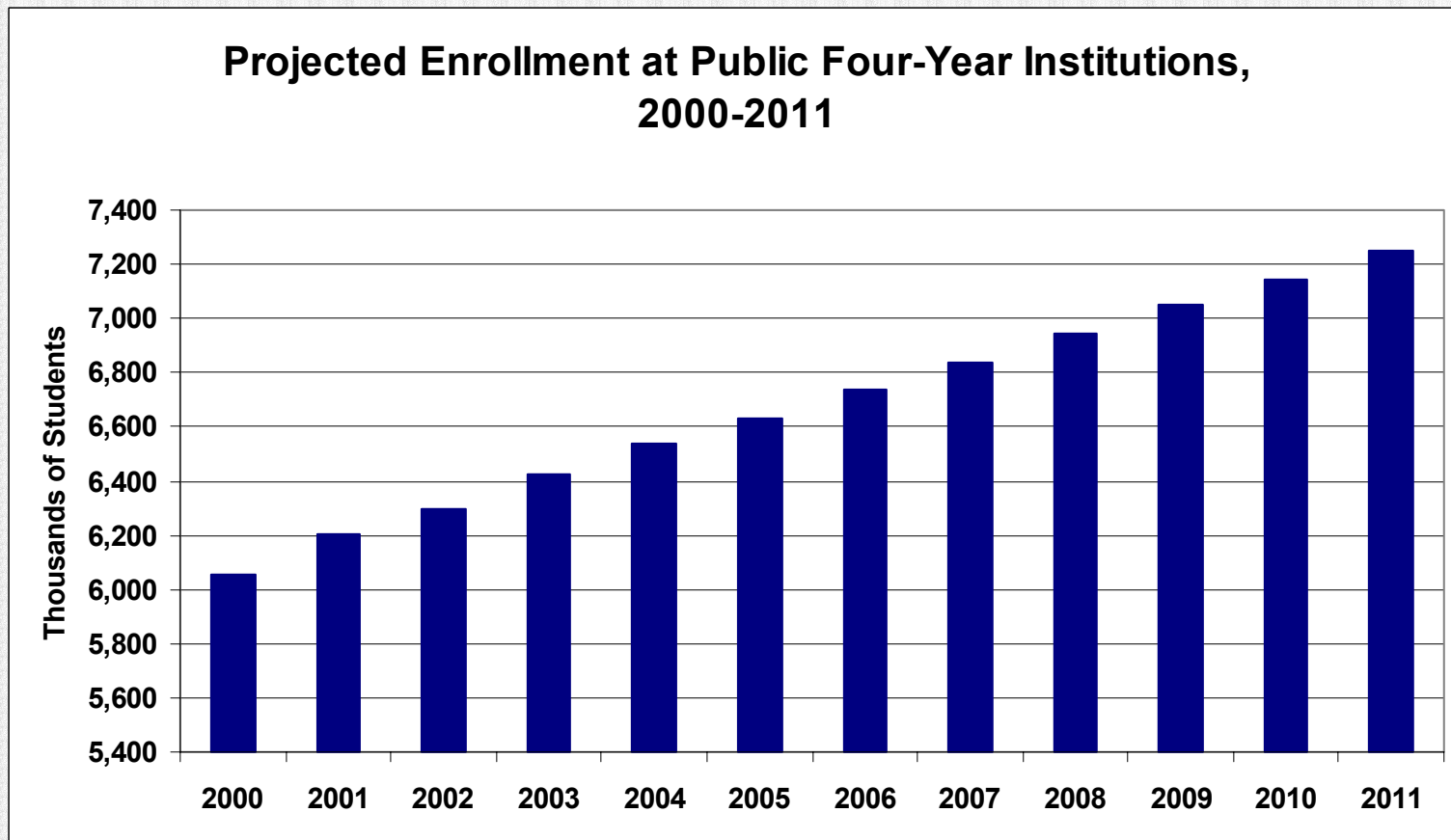
# ...Or Have We??

Share of State General Fund Spending, FY90 and FY02



SOURCE: National Association of State Budget Officers (NASBO)

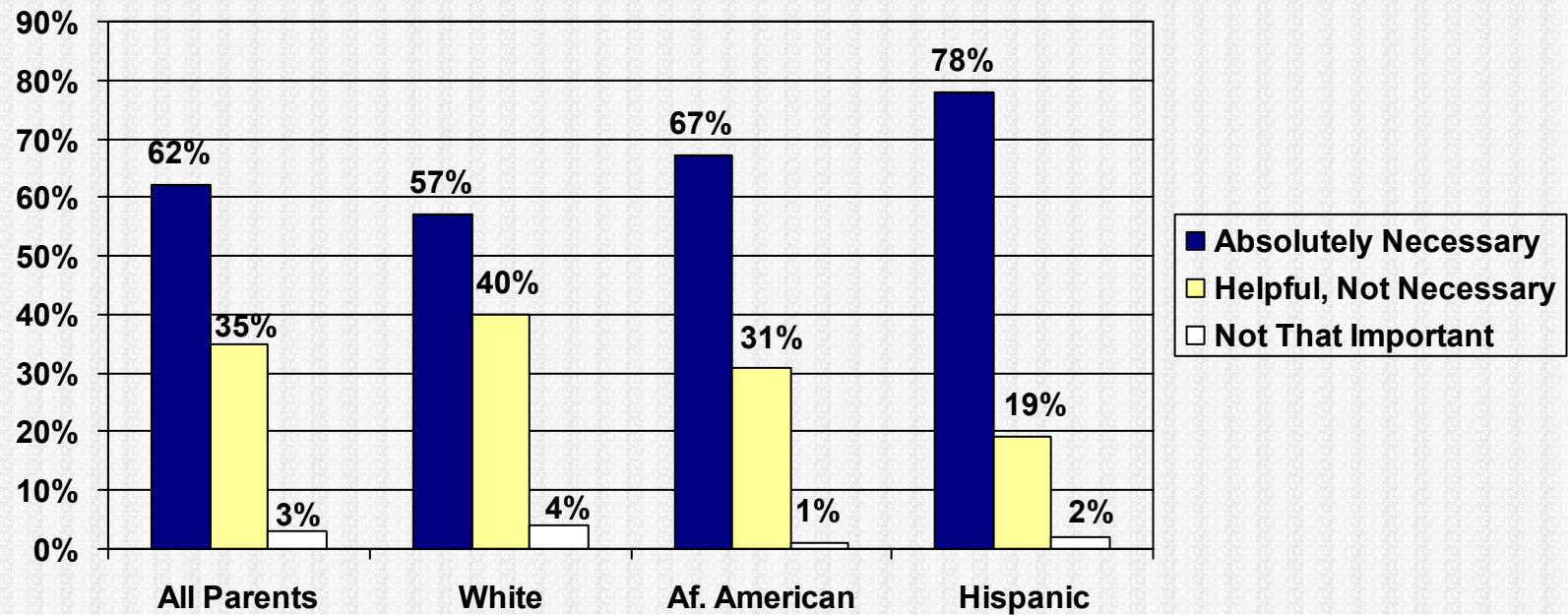
# ...Or Have We??



SOURCE: U.S. Department of Education, National Center for Education Statistics

# ...Or Have We??

**Perceived Necessity of College Education, High School Parents, 1999**



*SOURCE: National Center for Public Policy and Higher Education*



# The Changing Game

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- Trends are translating into changes in policy and practice, including:
  - Incentives for increased private revenue raising (Kentucky, Florida)
  - Charter/enterprise status for public institutions (Maryland, Colorado)
  - Institutional performance contracts/agreements, institutional deregulation (Colorado, Virginia, Florida)
  - State vouchers for students (Colorado)
  - Tuition deregulation (Texas)
  - Governance change (South Carolina)

*All of which get to the question of ACCOUNTABILITY...  
who is/are the majority stakeholder(s)?*

# For More Information...

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