

Current Funds

Public higher education finance in New England

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New Englanders have been well-served by the region's higher education legacy. They tend to be better-educated and more prosperous than the rest of the nation, and the cultural life in their cities and towns is exceptionally rich. But New England dares not rest on its laurels. The growing demand for even greater levels of educational attainment in the 21st century requires a re-examination of public policies for postsecondary education finance.

Higher education in New England is still shaped fundamentally by a heritage of strong private institutions rooted in the colonial era. In 1870, the 563 American colleges and universities were predominantly private and enrolled 52,000 students (0.1% of the nation's population). Seventy years later, 1,700 institutions enrolled 1.5 million students (1.1% of the population), a ten-fold increase as public-sector enrollment and spending exceeded the private sector for the first time in U.S. history.

By 1980, public community college development had increased the number of institutions to 3,150, educating 11.6 million students (5.1% of the U.S. population), of whom more than 75% attended public institutions. In 2005, the public sector still accounted for 75% of the 17.5 million students enrolled in 4,200 U.S. institutions.

Although New England experienced similar institutional and enrollment expansion, its public-to-private enrollment ratio stands in stark contrast to the nation. Of its current total enrollment, 48% is in private institutions, compared with 25% nationally. Coupled with slower, later growth of the public sector, the predominance of private postsecondary education has influenced appropriations, tuition and financial aid policy in the region.

New England and the Nation

While the federal government provides important support for research and student assistance, state and local governments are the predominant funding sources for public higher education. For states, policies and decisions about postsecondary financing are made in the context of economic conditions, tax structures, political culture and competing budgetary priorities. The New England heritage reflects a system designed primarily to educate high-performing students in selective institutions. While this heritage has served the region and nation well, a stronger commitment to public higher education will be required to meet the demand for more widespread educational attainment in the 21st century. New England has struggled to build and fully appreciate an effective public system to serve an academically diverse population. As shown in Figure 1, the state and local commitment to higher education is often substantially below the U.S. average on the usual indicators.

Figure 2 illustrates public appropriations per student in New England from 1982 through 2007. The pattern of decline in recessions, followed by recovery, is similar to the national experience. Nationally, the high point

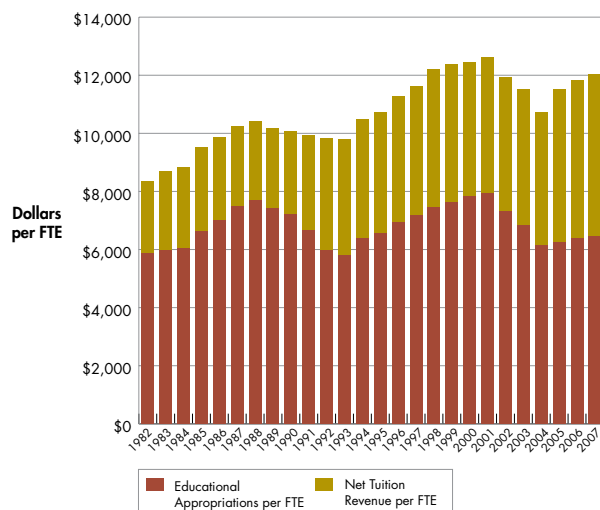
for state and local funding occurred near 2001, when per-student support reached \$7,595 (in 2007 dollars), \$7,931 for New England. (For national comparisons, New England data are adjusted downward to reflect the region's higher cost of living.) By 2004 and 2005, as enrollment and inflation grew much faster than increases in public funding, state and local funding per student fell to approach the lowest levels of the past 25 years. In 2006 and 2007, appropriations began a recovery in the United States, but constant dollar per-student state support has not returned to the 2000 and 2001 levels. Nationally, 2007 appropriations per student are 7.7% below 2002 appropriations. In New England, the decreases range from 18% in Rhode Island to 8% in Massachusetts, all deeper decreases than the U.S. average.

The growth of tuition during recessions to offset declining state support is well-documented. In constant dollars, net tuition per full-time equivalent (FTE) student grew 110% nationally over the past 25 years; in New England constant dollar net tuition per FTE grew 125%. At \$5,592, net tuition in New England is 45% higher than the U.S. average of \$3,845.

Figure 1: State and Local Government Higher Education Funding, FY 2007

	Support per Capita	Percentage of U.S. Average	Support per \$1,000 of Personal Income	Percentage of U.S. Average
Connecticut	\$264	95%	\$4.87	68%
Maine	197	71%	5.85	81%
Massachusetts	199	72%	4.06	57%
New Hampshire	94	34%	2.27	32%
Rhode Island	186	67%	4.70	65%
Vermont	136	49%	3.70	51%
United States	\$277	100%	\$7.19	100%

Figure 2: Educational Appropriations and Total Educational Revenue per FTE, New England, FY 1982 to 2007



Note: Constant 2007 dollars adjusted by SHEEO Higher Education Cost Adjustment, Enrollment Mix Index, and Cost of Living Adjustment. Source for Figures 1 and 2: SHEEO SHEF

Despite above-average tuition, New England states collectively provide below-average tuition aid. Massachusetts, the state that gives the most aid per student in the region (\$496), is just slightly above the U.S. average (\$467). Three of the six New England states rank in the top 10 for student debt at public institutions: New Hampshire (3rd), Maine (7th), and Vermont (9th). When considering both public and private four-year institutions, five of the six New England states rank in the top 12 for debt burden.

As the nation and the region enter another recession, the effects of appropriations, tuition, and student assistance policies on higher education opportunity and student debt will become more profound.

How Much Public Spending?

While total postsecondary education spending in the United States is about 2.6% of gross domestic product (a larger proportion than any other country), public investment in U.S. postsecondary education is roughly in line with other developed countries. Higher levels of private spending (both higher tuition costs and revenues from endowments and private giving) account for the margin of difference between the United States and other advanced nations.

While international comparisons may mislead due to differences in what is included in postsecondary expenditures

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(auxiliary enterprises and independent functions such as athletics and medical care are more salient in the United States), it is difficult to argue the United States *under*-invests in higher education. An important factor in the size of U.S. expenditures is the practice of spending considerably more at the institutions disproportionately enrolling academically gifted and financially prosperous students.

Since generous spending is associated closely with quality in higher education, the association of money with quality complicates public discussion about finance. In public dialogue, three misguided ideas appear frequently:

There is a “right amount”; we can create the perfect formula.

The search for a perfect formula has generated endless debate and mind-numbing data analysis. Financial policy is fundamentally about priorities, investment, management and politics — not formulas. Higher education is not entitled to a fixed share

of public resources, nor can one demonstrate a clear connection between spending and outcomes; the “right amount” always has been determined through judgment and negotiation.

The only way to get improved performance is to spend more money.

This mindset annoys policymakers and business leaders who are forced to increase productivity despite tightened financial bottom lines. These stakeholders argue that increasing financial support to education historically has increased costs without producing better results.

We can get the results we need without spending more money.

Some well-intentioned advocates in the accountability movement argue that additional investment in postsecondary education is completely unnecessary; all that is required is more discipline. This view would be

more persuasive if the world economy did not require a quantum leap in educational attainment; marginal change will not do.

Policymakers and educators will make more progress if they redirect their attention to three fundamental questions:

What does the public need from higher education?

The central issue is the need for more educational attainment. In the 1960s, the nation and states addressed the need to educate the baby boom by dramatically increasing investment in postsecondary education. Gaining consensus on this investment was easy: the number of 18-to-24-year-olds was increasing rapidly, and Sputnik had been launched into space. Today, consensus is harder to achieve as educational needs have shifted and become more complex. States must now educate a larger *proportion* of their populations (a more difficult task) to cope with a less clear threat — the loss of competitiveness in the global economy.

Despite the greater complexity of the issues, the basic dynamics remain the same: when there is consensus about goals and priorities, investment will follow.

What can higher education do better with its current funding?

This is the key to progress. The public has deep faith in the value of education, persistently expressed in public polls, political rhetoric and the recurring pattern of recovery in funding postsecondary education. But too many in the public lack confidence that additional investment will generate the needed results.

Currently available resources are greater and far more important than any “new money” that might be obtained in the foreseeable future. Additional spending is unlikely to produce better outcomes in higher education unless there are *changes* in the way resources are allocated and the manner in which teaching and learning are approached. The most important financial issue in postsecondary education is the use of existing funds, not incremental dollars.

Institutional priorities and the incentives of state budget processes will have more impact on effectiveness than any feasible amount of incremental funding.

Where can strategic investments generate the needed results?

Marginal dollars still matter; money motivates action. People with ambitious, shared objectives are willing to pay for results. Strategic investments are essential for achieving widespread educational attainment; policymakers and post-

more than any other region of the country, faces the risk that a growing number of its residents may not be prepared for a lifetime of learning and adaptation in the global marketplace.

Elementary and secondary schools must help more students prepare for success in college and the workplace. Colleges and universities must increase student participation, retention and completion rates. Recognizing the importance of educational attainment to New England’s future, policymakers

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secondary leaders need to agree on the agenda. The reallocation of existing resources to address public priorities will help build public support for well-targeted incremental resources.

New England’s “best-educated” citizens can compete in any market, and their college participation and attainment rates are generally well above average. Yet New England, perhaps

must make strategic investments to ensure that New Englanders have the educational resources necessary for success in the 21st century.

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Thursday, January 29, 2009

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This conference will aim to supplement the ongoing conversation of “college readiness” to identify key partnerships and best practices between higher education institutions and K-12 throughout New England. Experts in the field will share deliberate actions leaders in both “segments” are taking in an effort to reduce mediation, and formalize curriculum and assessment alignment to create seamless transitions to college and career.

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Friday, March 27, 2009

Campus Center at the University of Massachusetts Boston

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For more, please call Jason Quiara, Director of College Ready New England at 617-357-9620 ext. 130,

or visit www.nebhe.org/bridgingthegap and www.nebhe.org/innovation