

North Dakota
Legislature's
Interim Higher
Education
Committee

Higher Education
Roundtable

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Presentation by:

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Interstate Commission
for Higher Education
(WICHE)

Funding Public Higher Education

*The Search to find “the
right” funding approach*

The WICHE Mantra -- ATFA

- Good finance policy involves balancing the three components of finance the fund instruction:
 - Appropriations to Institutions
 - Tuition revenue
 - Financial Aid to students
- ATFA -- All contribute to access & quality

Seven Principles of Good **State** Finance Policy

- ❖ All state finance policy should focus on **State Goals**
 - ❑ Defining Goals
 - ❑ Measuring Goal achievement and progress – Metrics and benchmarks
 - ❑ Developing Strategy to incentivize progress and reward accomplishment
- ❖ State policy should be formulated from perspective of **the state & it's citizens** (individual and corporate).
 - Institutions are means to the end, not ends in themselves

Principles of Good **State** Finance Policy

- ❖ The **benefits** of state higher education should accrue **to all** -- geographically and demographically
- ❖ State policy must assure **adequate funding** to support quality education
- ❖ Funding policy must assure **affordability** -- to **students and to the state**
- ❖ The higher education system must be an **"efficient"** system – producing the outcomes specified in the goals at the lowest cost consistent with the ability to maintain quality

How Does North Dakota Measure Up

- On Goals – Pretty Good, but a couple of glitches
 - Roundtable process – exemplary forum for broad engagement

Close Alignment on Goals

Leg Staff Goals

- Attainment
- Access
- Affordability
- Student Success
- Econ Development: Workforce capacity
- Econ Development:
- Research & Bus. Dev.

NDUS Goals

- Excellence/Attainment
- Access
- Funding Adequacy
- Imbedded in Excellence
- Economic Development
- Effectiveness

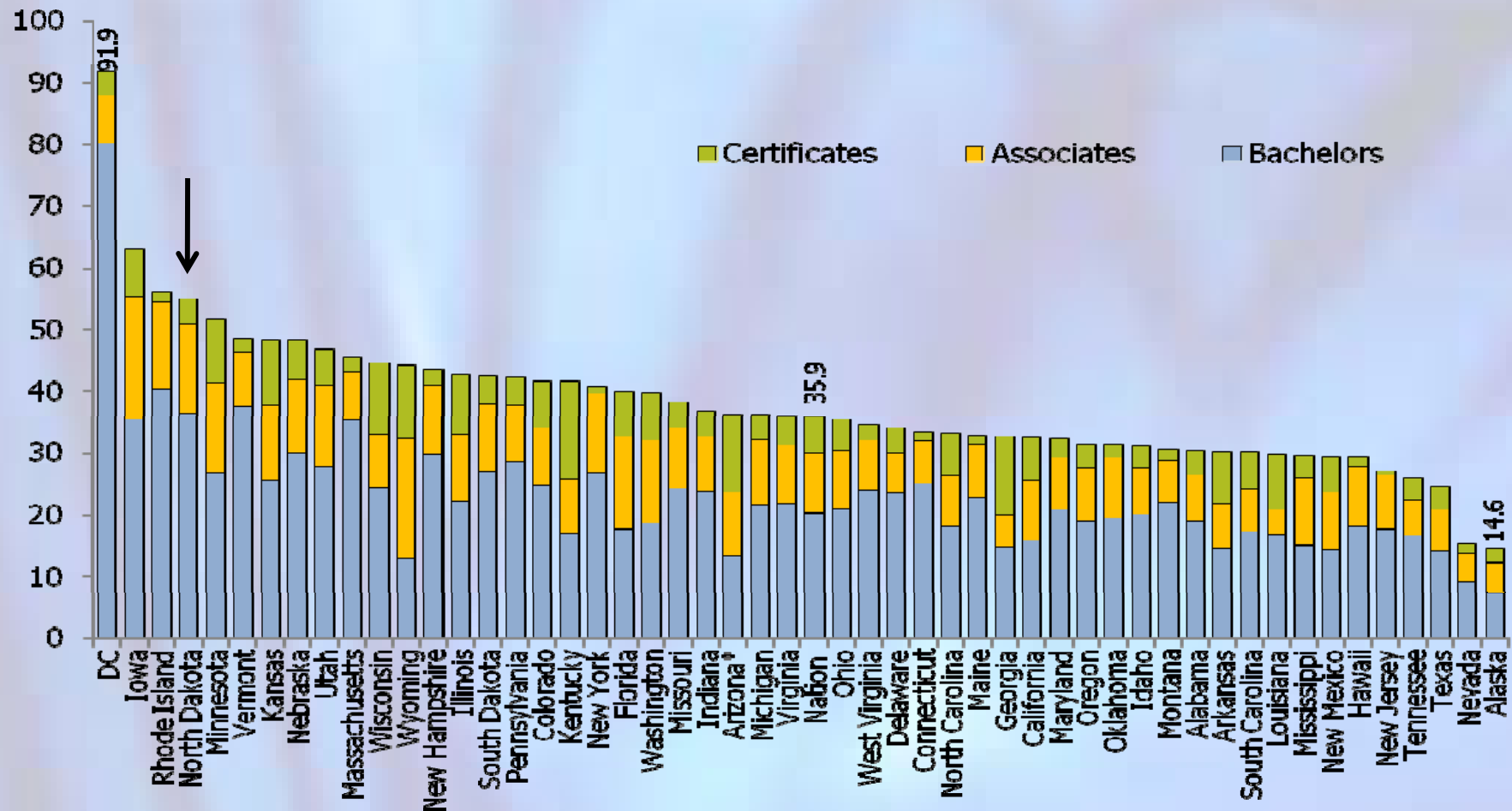
The Glitch -- Measures

- Roundtable: 33 measures, 27 legislated
- UNDS proposed strategic plan: 27 measurable objectives
 - 22 outcome measures, 5 process measures
 - 22 clear and measurable, 5 mushy
- Leg Council draft goals: 13 measures
 - A bit mushy
 - Not all on mark
 - Still too many
- Generally right
 - Few for the Policy Thought Leaders –Legis.
 - More for the Policy Management Leaders-NDUS

So, How Is ND Doing On These Goals

- Attainment: Pretty Good

Undergraduate Credentials & Degrees Awarded at All Colleges per 1,000 Adults Age 18-44 with No College Degree, 2008



Source1: NCES, IPEDS 2007-08 Completions File; c2008_a Final Release Data File.

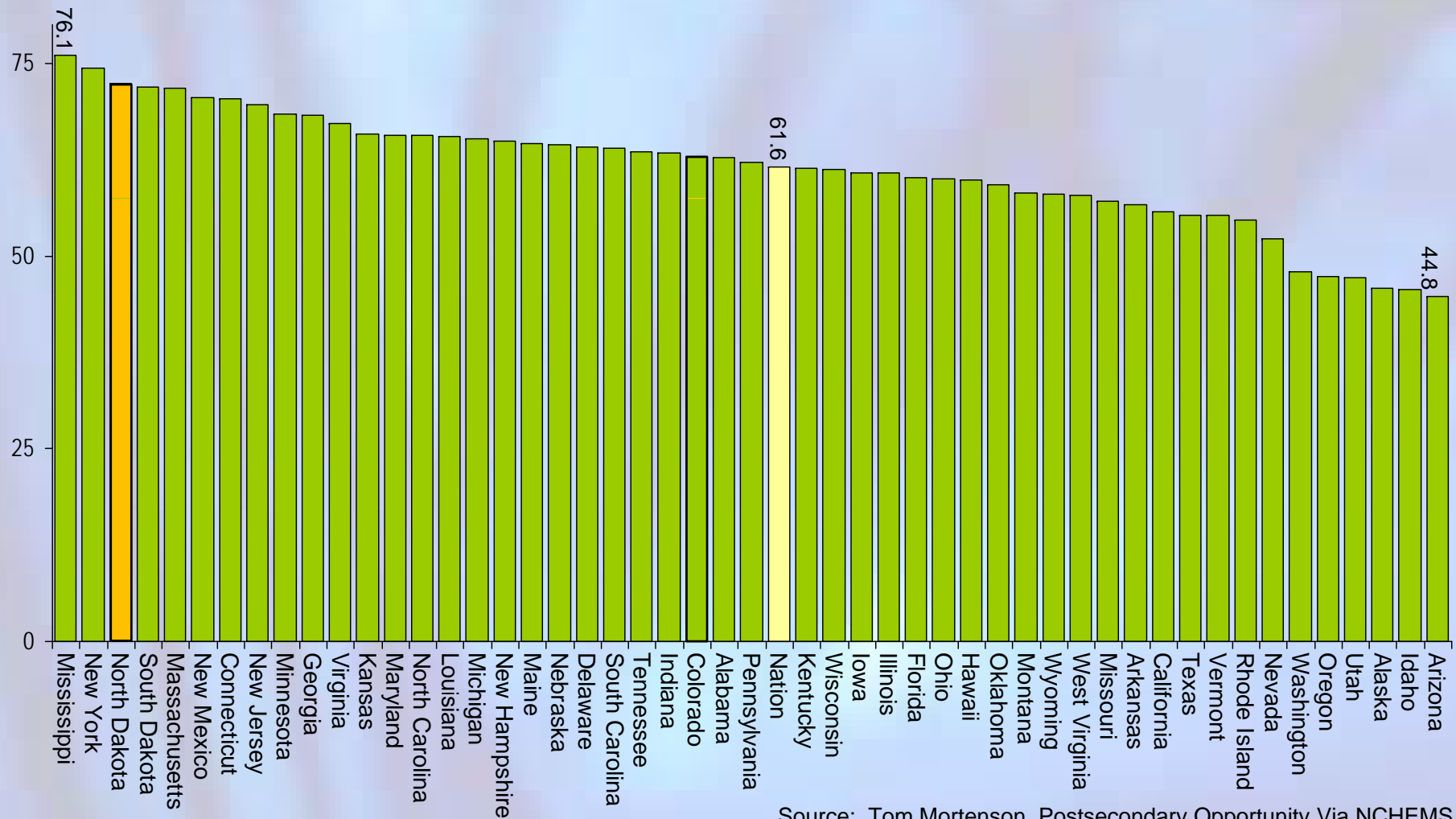
Source2: U.S. Census Bureau, 2008 American Community Survey (ACS) Public Use Microdata Sample (PUMS) File.

*University of Phoenix Online and Western International University are excluded from Arizona's results, but included in the National total. Their awards are not representative of Arizona's performance as most first-time undergraduates are out-of-state residents (University of Phoenix Online = 97.4% out-of-state, Western International = 87.1% out-of-state - IPEDS fall 2008 Residence & Migration File).

So, How Is ND Doing On These Goals

- On Access – A Mixed Bag
 - Fine in the aggregate

College-Going Rates—First-Time Freshmen Directly Out of High School as a Percent of Recent High School Graduates, 2006

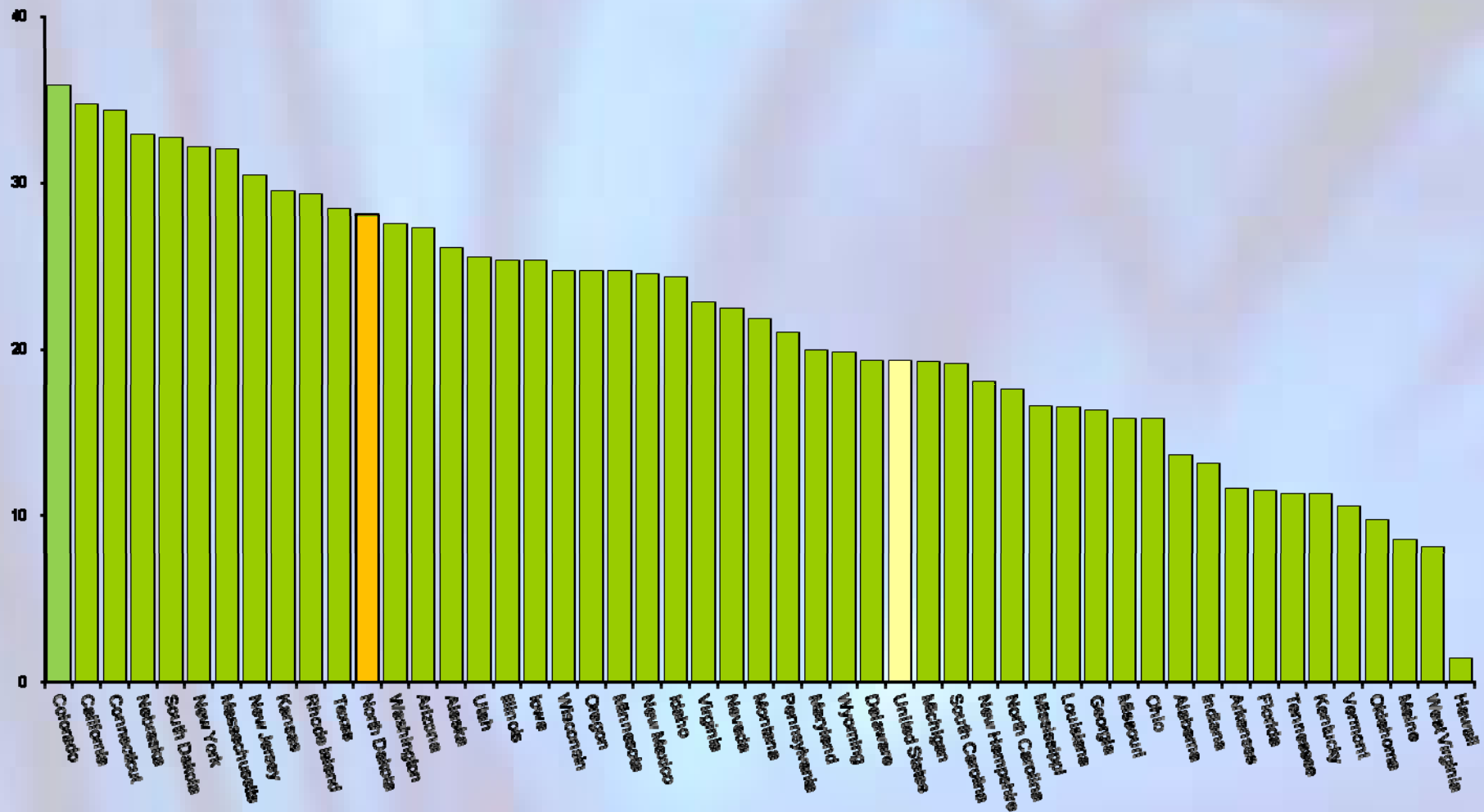


Source: Tom Mortenson, Postsecondary Opportunity Via NCHEMS

So, How Is ND Doing On These Goals

- On Access – A Mixed Bag
 - Fine in the aggregate
 - Not so great in serving the Native American Population

Difference Between Whites and Next Largest Race/ Ethnic Group in Percentage of Adults Age 25-34 with an Associate Degree or Higher, 2000



Source: U.S. Census Bureau, PUMS (based on 2000 Census), Via NCHEMS

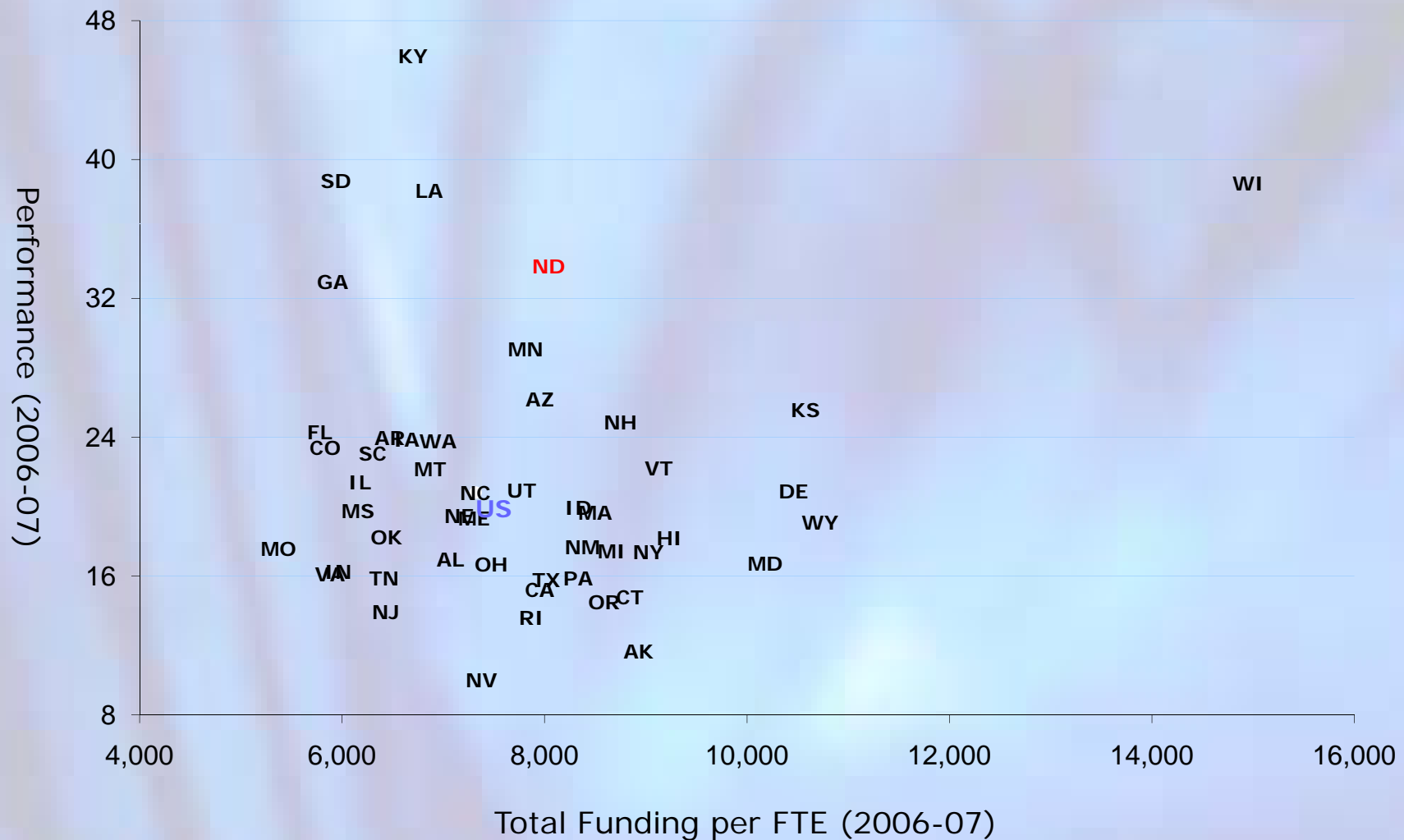
So, How Is ND Doing On These Goals

- On affordability
 - An “F” on NCPPHE’s Measuring Up
 - But everyone failed, so . . .
 - Pretty Good on “proof of the pudding” -- participation (can’t be too expensive; their coming & staying, more or less)
 - Not so good on financial aid and equity – until recently -- too soon to tell on that.

So, How Is ND Doing On These Goals

- On student success & efficiency – A Mixed Bag
 - Exceptional in 2 Year Institutions

Performance Relative to Funding: All Credentials Awarded per 100 FTE Undergraduates (Public Two-Year Institutions)

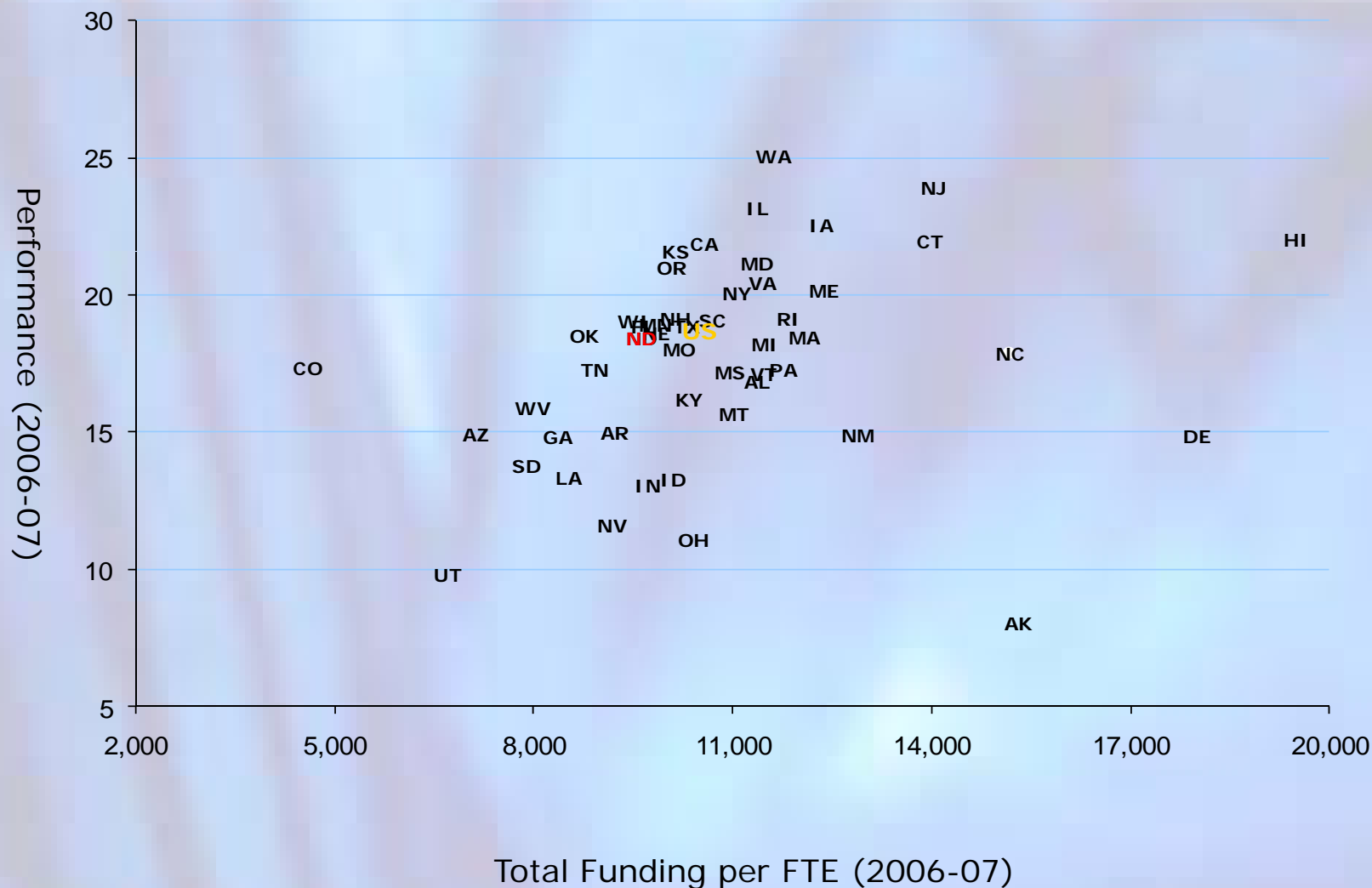


Source: NCES, IPEDS

So, How Is ND Doing On These Goals

- On student success & efficiency – A Mixed Bag
 - Exceptional in 2 Year Institutions
 - About average on both in 4 year Institutions

Performance Relative to Funding: Bachelors Degrees Awarded per 100 FTE Undergraduates (Public Bachelors and Masters)

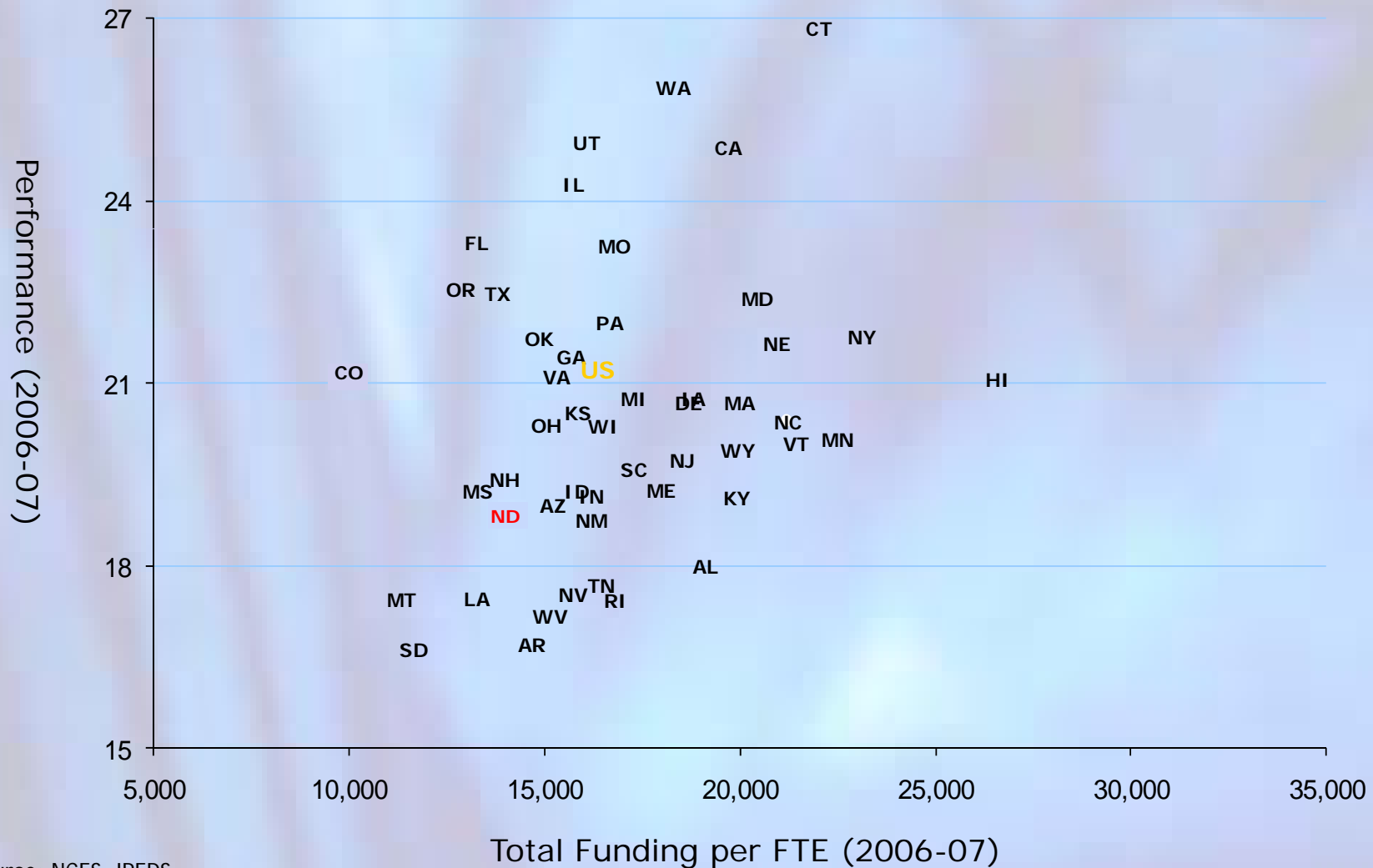


Source: NCES, IPEDS

So, How Is ND Doing On These Goals

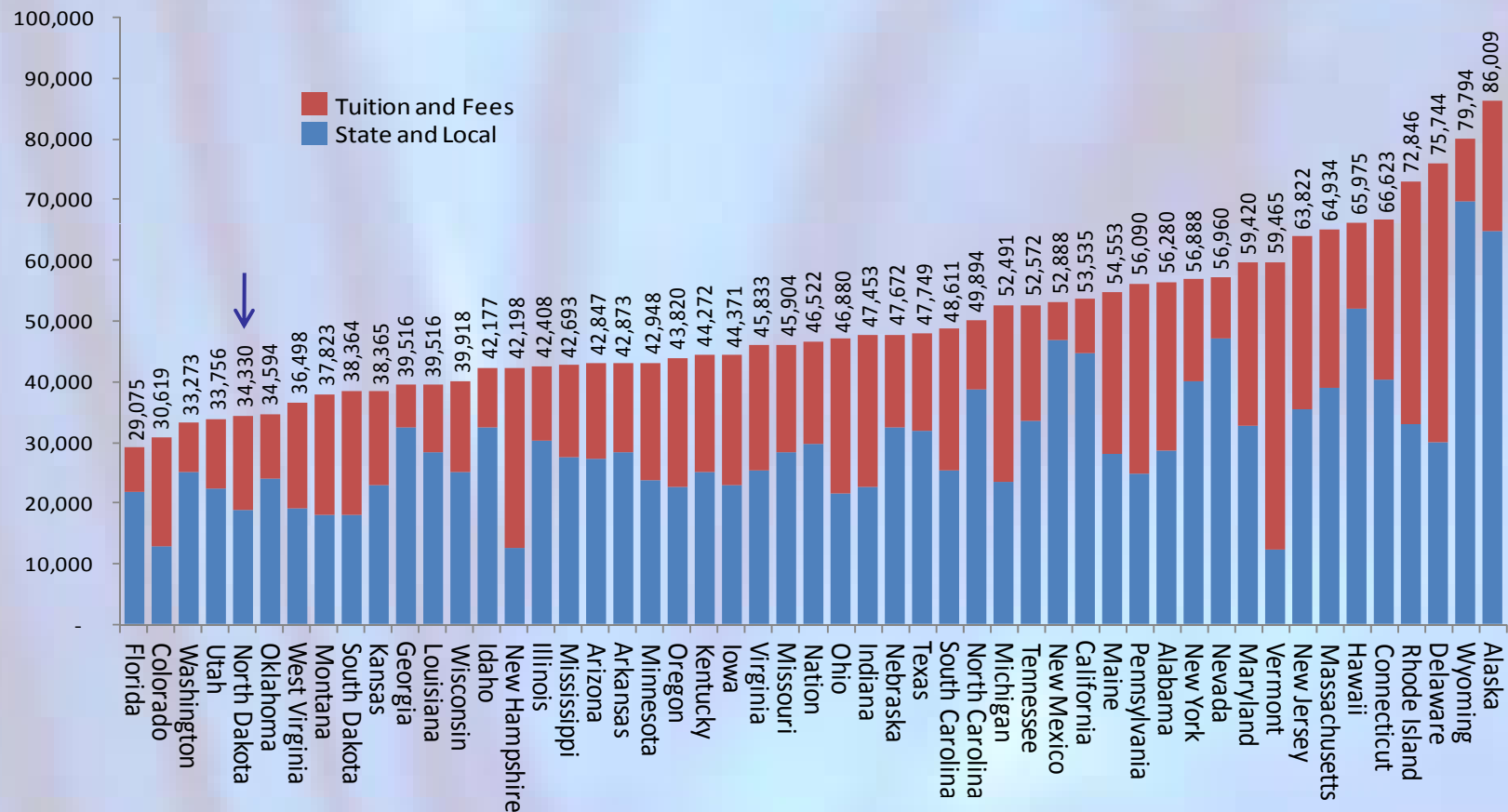
- On student success & efficiency – A Mixed Bag
 - Exceptional in 2 Year Institutions
 - About average on both in 4 year Institutions
 - Below average in both in research universities

Performance Relative to Funding: Bachelors Degrees Awarded per 100 FTE Undergraduates (Public Research Institutions)



Source: NCES, IPEDS

Productivity: Total Funding per Degree/Certificate (Weighted*, 2006-2007)



Sources: SHEEO State Higher Education Finance Survey 2008; NCES, IPEDS Completions Survey; U.S. Census Bureau, American Community Survey (Public Use Microdata Samples)

*Adjusted for value of degrees in the state employment market (median earnings by degree type and level)

So, How To Fund This Enterprise? Three General Philosophies

- Core Adequacy
- Fair funding
- Performance based funding

So, How To Fund This Enterprise? Three General Philosophies

- Core Adequacy

- Underlying Philosophy: Enough is enough, but not enough isn't . . .

- Pluses

- Assures adequate funding

- Minuses

- Provides no incentives for change or rewards for performance

- Depends

- Reinforces the Status Quo

The Competing Funding Philosophies

- Fair funding – The current North Dakota Model
 - Underlying philosophy: Fair formula derive fair distribution, including:
 - Internal equity
 - External competitiveness
 - Tiered funding to reflect mission differentiation

The Competing Funding Philosophies

- Fair funding – The current North Dakota Model
 - Pluses
 - Assures “fair” distribution of available funds
 - Minuses
 - Provides no incentives for change or rewards for performance
 - Drives a negative perception: + or - average
 - Depends
 - Presumes average funding is the right funding
 - Presumes the formula metrics are fair – the CC issue

The Competing Funding Philosophies

- Performance Based Funding
 - Three types
 - Performance funding
 - Performance budgeting
 - Incentive funding
 - Underlying Philosophy:
 - Incentive funding: paying for what you hope for
 - Performance budgeting/funding: paying for what you wanted and got

The Competing Funding Philosophies

- Performance Based Funding

- Pluses

- Gives greater transparency to legislature
 - Provides clear signals of state goals

- Minuses

- Incentive funding: Buying a pig in a poke.
 - Performance funding via line items: Vulnerable to tough times -- & usually not enough to turn the tide
 - Performance budgeting – you get what you pay for & are stuck if you buy the wrong thing – rates versus numbers
 - The Power elites can drive the performance indicators

- Depends – takes funding out of funding process/focuses on product

The Competing Funding Philosophies

- Performance Based Funding

- Caveats if you go this direction

1. Don't do it unless you can measure well good metrics for the goals you want (i.e., real completion, not usual graduation rate numbers)
2. Establish benchmarks and reward those achieve to expectations.
3. But also reward continuous progress (and don't punish temporary setbacks – use multiyear averages).
4. Recognize & adjust for different missions.
5. Stay the course – minor modifications are fine, but don't incentivize performance & then move the mark

The Way I See It, For What It's Worth

- North Dakota Higher Education Serves You Well.
- But,
 - You aren't all so sure because you don't see it
 - And, even if it's so, the status quo won't be good enough for the future
 - And, You aren't sure the current financing scheme provides the right impetus for change

What I suspect you want

1. The opportunity for your citizens, young & not so young, to continue their education.
2. And, that far more of them complete that education than is the case today – yes you do “comparatively” well, but that’s not good enough.
3. That most of those folks stay and work in North Dakota.
4. That this success is appreciated by all sectors of North Dakota, not just those from privileged backgrounds
5. And, that they get a good education, to boot.

So,

- If that's what you want, why not pay for it?
- You don't need to punish any institutions – their doing well.
- But you could make it clear to NDSU
 - What you want, particularly what ***change*** you want.
 - How you will measure that.
 - And, then pay them for doing what you want.

Enough Already!