

STATE HIGHER EDUCATION BUDGETING – OPPORTUNITIES FOR IMPROVEMENT

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Report Presents State Budget Officers' Perspective



→ SPRING 2013

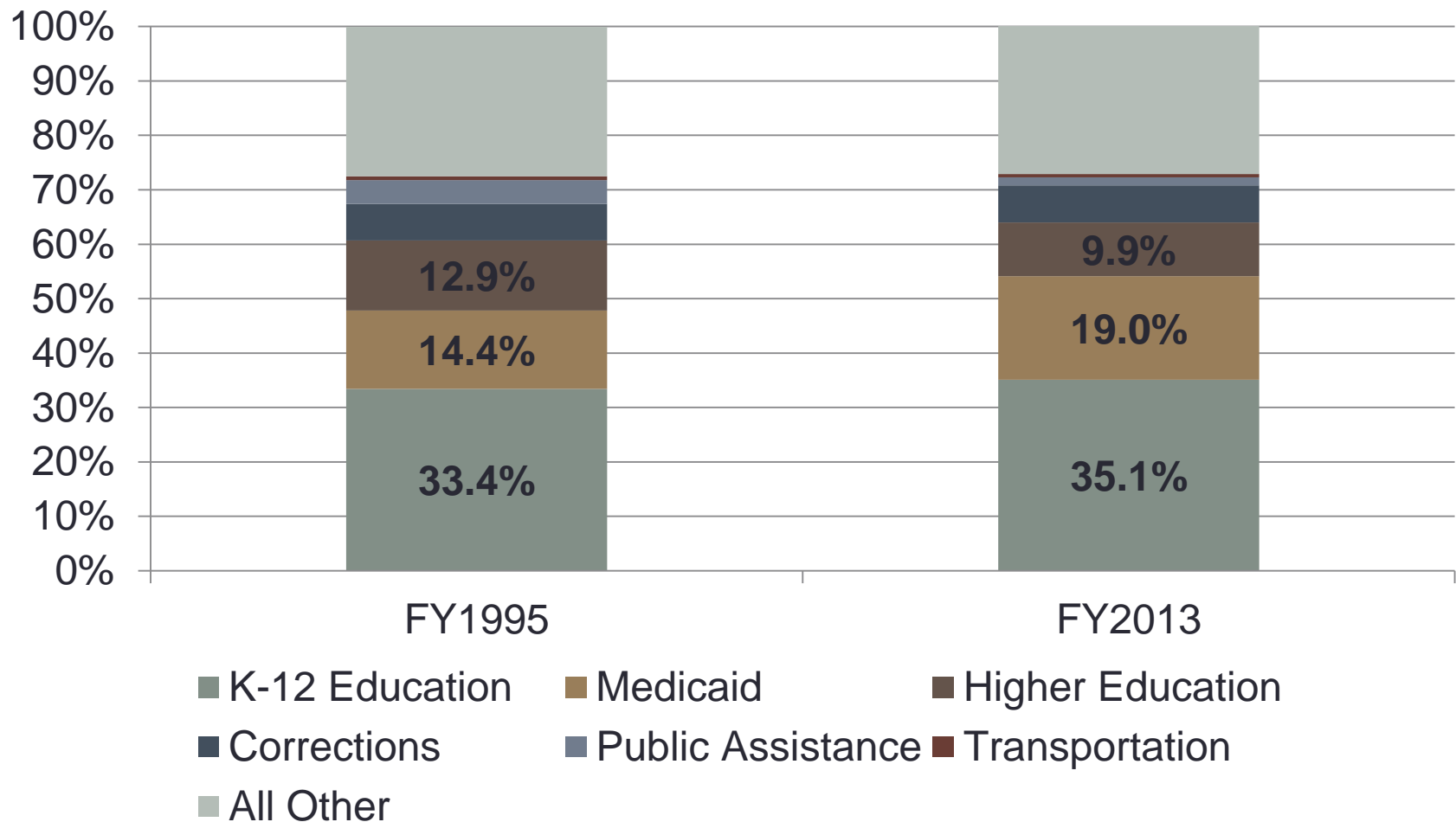
Improving Postsecondary Education Through
the Budget Process: **Challenges & Opportunities**

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS



- Current funding model is unsustainable
- State government resources are limited but will still play important role
- Collaborative action by government and higher education leaders can improve the status quo

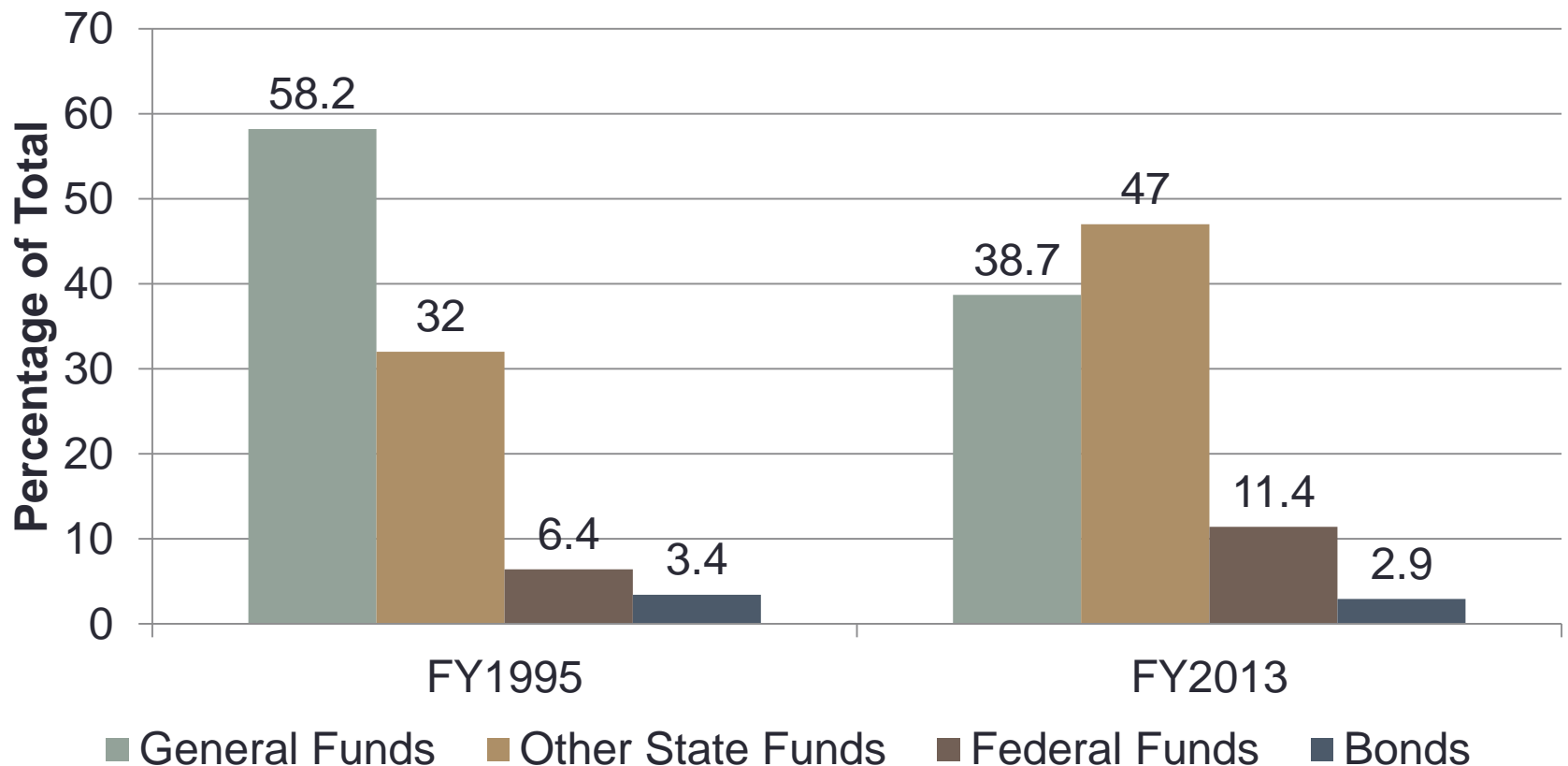
Changing Distribution of General Fund Expenditures Over Time



Source: NASBO's State Expenditure Report (Fiscal 2011-Fiscal 2013 Data)

Changing Composition of Higher Ed Spending

Higher Ed Spending by Fund Source



Source: NASBO's State Expenditure Report (Fiscal 2011-Fiscal 2013 Data)

Report Recommendations

- Use performance funding and multiyear budgeting to focus on results and build consensus on goals
- Restrict tuition/fee increases and rationalize tuition policy
- Expand/preserve access and need-based financial aid
- Develop common language and metrics
- Improve fiscal management and cost efficiency

State Reform Efforts

- Many examples cited in report, e.g.:
 - Tennessee's outcomes-based funding formula
 - SUNY's rational tuition program
 - Indiana's Financial Transparency Project
- California's three-year sustainability plans
- Connecticut's "Go Back to Get Ahead" initiative
- And of course, Colorado and North Carolina...

Historical Funding Picture in Colorado

- In FY 1991, the higher education budget in Colorado received \$498 million General Fund and constituted about **19% of the General Fund** operating budget and revenues.
- *For reference, Medicaid (\$353.4 million) was 13.5% of the budget, K-12 (\$1.1 billion) was 41%, and Corrections (\$134.6 million) was 5%. Medicaid caseload (183,000) was 5.4% of the state's population.*

Higher Ed Funding Picture Today

- At \$761.9 million, Colorado higher education is now **7.7 percent of the GF operating budget.**
- And, after years of double-digit tuition increases, the student-state cost portions have “flipped” – from 1/3 student (2/3 state) to 2/3 student (1/3 state).
- *For reference, Medicaid is \$2.3 billion (22.9% of the budget), K-12 is \$4.3 billion (43.7%), and Corrections is \$720.4 million (7.3%). Medicaid caseload has grown to over 18% (1,003,612) – although some of that is cash funded.*

2014 Higher Education Funding Initiatives in Colorado

- **\$100 million General Fund increase** requested by Governor Hickenlooper and approved for Higher Education (SB14-001). Included an historic 11% increase across the board increase (\$60 million), a cap on tuition increases (6%), and funding for financial aid (\$40 million).
- **Creation of the Colorado Opportunity Scholarship Initiative Fund (HB14-1384).** Governor Hickenlooper's initiative modeled after the Denver Scholarship Foundation. Established with an initial state infusion of \$34.6 million, intends to attract fundraising attention from nonprofits and community partners and with the *intent* to match those contributions with appropriations from the General Fund so that continued investment by the community is encouraged.

The NASBO report on performance funding holds true for Colorado.

“The combining forces of weakened pricing power on the part of institutions, the continued need for postsecondary attainment growth, and more limited state funds are ushering in the need for a new funding paradigm for public higher education. This will require state and higher education officials to build consensus on goals around college access and completion, degree attainment and economic development, and to develop ways to measure progress towards reaching these goals.” *(NASBO, Financing Higher Education: The Need for a New Approach, 2013)*

Colorado's Past Experience with Higher Ed. Performance Funding

- Opinions vary about success in past attempt at performance funding (SB11-052) – some legislators critical.
- SB11-052 provided for the collaborative development of a system-wide master plan.
- Performance metrics were to kick in starting in FY 2016-17, only if the higher education budget grew by about \$159 million (29%) to \$706 million – then 25% of the amount over the \$650 million was to be used for performance funding (so a potential of only \$14 million was at play: $\$706M - \$650M = \$56M * 25\% = \underline{\$14M}$)
- Plan released Dec. 2013 had **71 discrete measures** being used amongst 16 governing boards. 52 of the measures were institution-developed (e.g., % STEM degrees at a STEM school). Some legislative criticism.

New 2014 Higher Ed Performance Funding Legislation

- **Passage of HB14-1319**, “Concerning the creation of an outcomes-based funding model for higher education.” Sponsored by Colorado Speaker Mark Ferrandino, with over 50 bipartisan co-sponsors.
- Bill acknowledges Colorado’s limited resources and the need for measurable policy goals and transparency.
- Substantially amended to include input from the higher education institutions and the Department of Higher Education.
- Continuing debate on “outcomes” vs “inputs,” what is base funding, fairness of current starting point, peers.

HB14-1319 Colorado Performance Funding Plan/Timeline

- **Aggressive time-frame (to implement in FY 2015-16)**
- Project kick-off - July 2014
- Comprehensive outreach process – August 2014
- Cost driver analysis data collection – Aug./Sept. 2014
- Formula modeling – September – Nov. 2014
- Budget request for FY 2015-16 to Legislature – Nov. 1, 2014 with a *draft* of the potential factors, metrics, weights
- Final model and legislative recommendations – early Dec. 2014
- Legislative hearings – Dec. 2014
- Final plan (factors, metrics, contracts) - Jan. 1, 2015
- Updated budget to allocate Nov. 1 request – Jan. 15, 2015
- Implement July 1, 2015 (FY 2015-16).

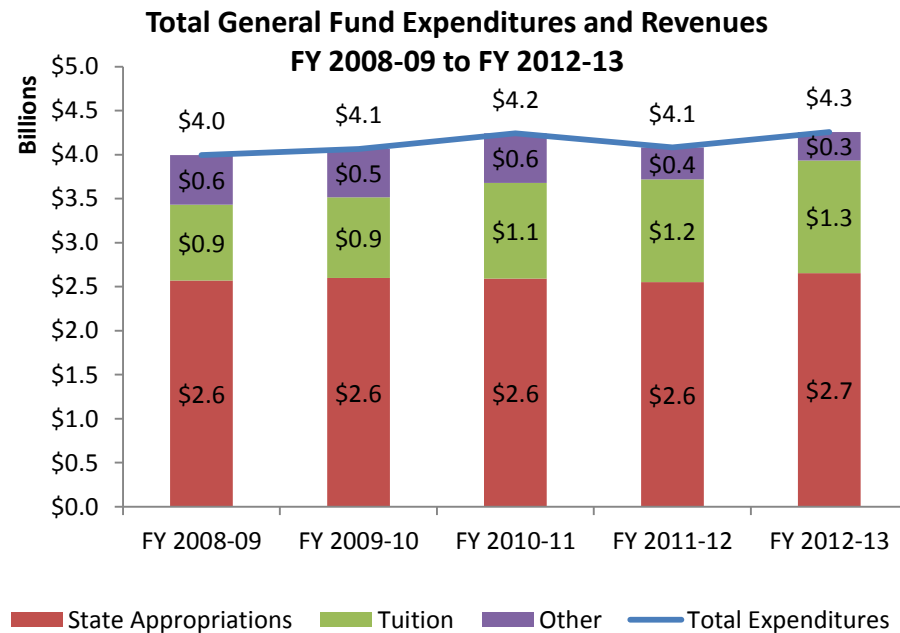
Overview of University of North Carolina

- NC Constitution:

- “The General Assembly shall provide that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense.”

- UNC System Students: About 220,000
- Campuses in System: Seventeen
- Average Resident Tuition and fees per year: About \$6,200

<i>Grapevine</i> Table 4				
State Fiscal Support for Higher Education Per \$1,000 in Personal Income and Per Capita, FY14				
Fiscal Year 2014				
Rank	State	FY14 Total (\$)	per \$1,000 in Personal Income	per Capita
1	Wyoming	352,419,041	11.92	604.85
2	North Dakota	409,693,640	10.02	566.35
3	Alaska	383,128,100	10.48	521.17
4	New Mexico	871,115,913	11.51	417.74
5	Haw aii	517,818,637	8.08	368.80
6	North Carolina	3,630,334,843	9.62	368.63
Average			5.45	241.66



State Appropriations Tuition Other Total Expenditures

Period of Significant Change

- Economic Challenges/State Budget Shortfalls
- Board Turnover
 - More corporate approach
 - Focus on measurement and accountability
- Emphasis on Efficiency and Financial Sustainability



Strategic Directions 2013-2018

- Goal 3: Serving the people of North Carolina
 - Transparency to public
 - ReachNC.org (portal to find thousands of experts and assets within North Carolina higher education and research institutions)
- Goal 4: Efficient use of resources
 - Centralize some back-office operations
 - Possible program consolidation
 - Monitor Performance
- Goal 5: Keep UNC affordable, financially sound
 - Growing public concern over affordability
 - State budget uncertainty
 - Limit tuition increases

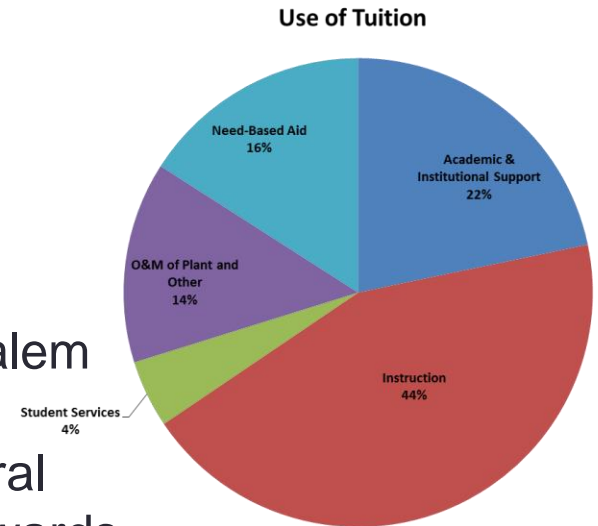


Fiscal Restraint

- Appropriations flat for 2014-15.
- 2014-15 no increase in resident undergraduate tuition.
- Four Year Tuition Plan (2015-16 through 2018-19):
 - Maximum 5% increase in tuition and fee rates for resident undergraduate students per year.
 - Recurring increase in operating appropriations per resident FTE in excess of 5% reduces the tuition cap commensurately.
- Total system enrollment flat but significant fluctuation amongst campuses.

Tuition Bill Statements

- Lists resident and non resident tuition
- Defines use of tuition
- Example Disclosure:
 - In the year ended June 30, 2014, Winston-Salem State University received \$69 million in appropriations from the North Carolina General Assembly providing an additional \$15,091 towards the total cost of education for each resident student.



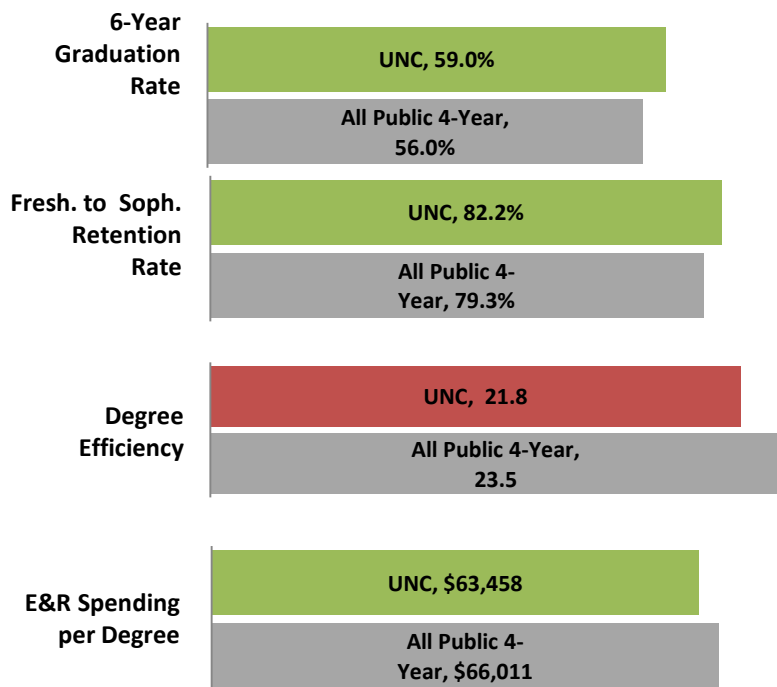
Athletics	\$ 694.00	Funds intercollegiate athletics, including salaries and team operations.
Educational & Technology	\$ 416.46	Funds specialized instructional supplies and services for scientific and information technology equipment.
Health Services	\$ 247.00	Funds medical services for students, including the salaries, maintenance and operation of student health centers.
Student Activities	\$ 530.70	Funds nonacademic student services (student unions, intramural facilities, student organizations, newspapers, yearbooks, and entertainment programs).
Debt Service	\$ 460.00	Funds the principal and interest for capital projects. Examples for Winston-Salem State University includes the Civitan Park, Student Activities Center, and Student Union.

Performance Accountability

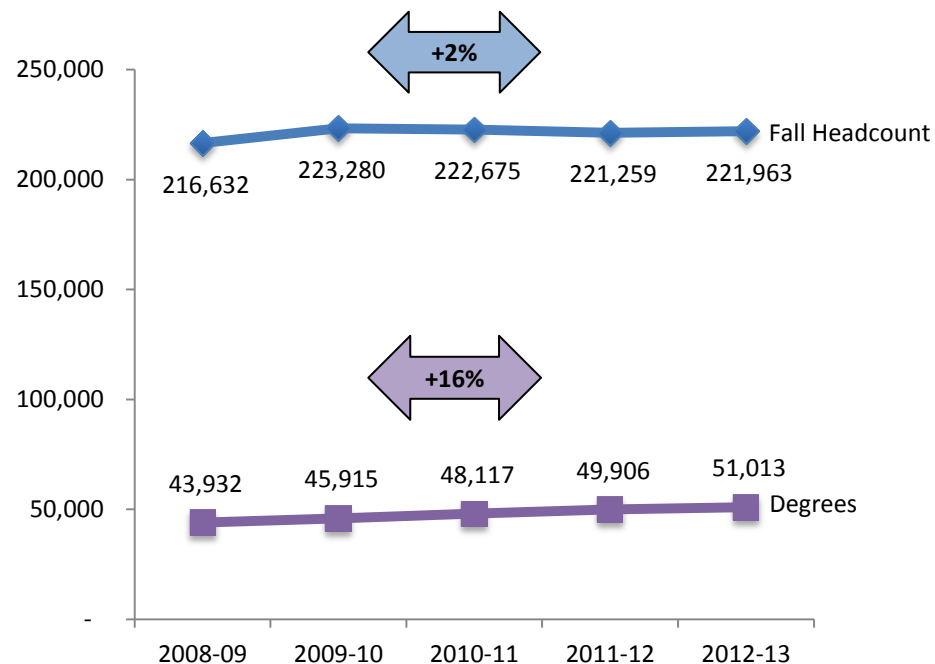
See: <http://www.northcarolina.edu/?q=content/financial-analyses>

Example: UNC System

Performance as Compared to Public Peers



Fall Headcount and Degrees¹ Conferred



¹ Includes high school diplomas awarded by UNCSA and NCSSM.

UNC DATA DASHBOARD

<http://www.northcarolina.edu/content/unc-data-dashboard>



Questions?



COLORADO
Office of State Planning
& Budgeting

