

*The Changing Environment for Higher Education
and Implications for Institutional Behaviors*

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The Dimensions of Change

Major Forces

- Clients and Their Expectations
- The Fiscal Environment

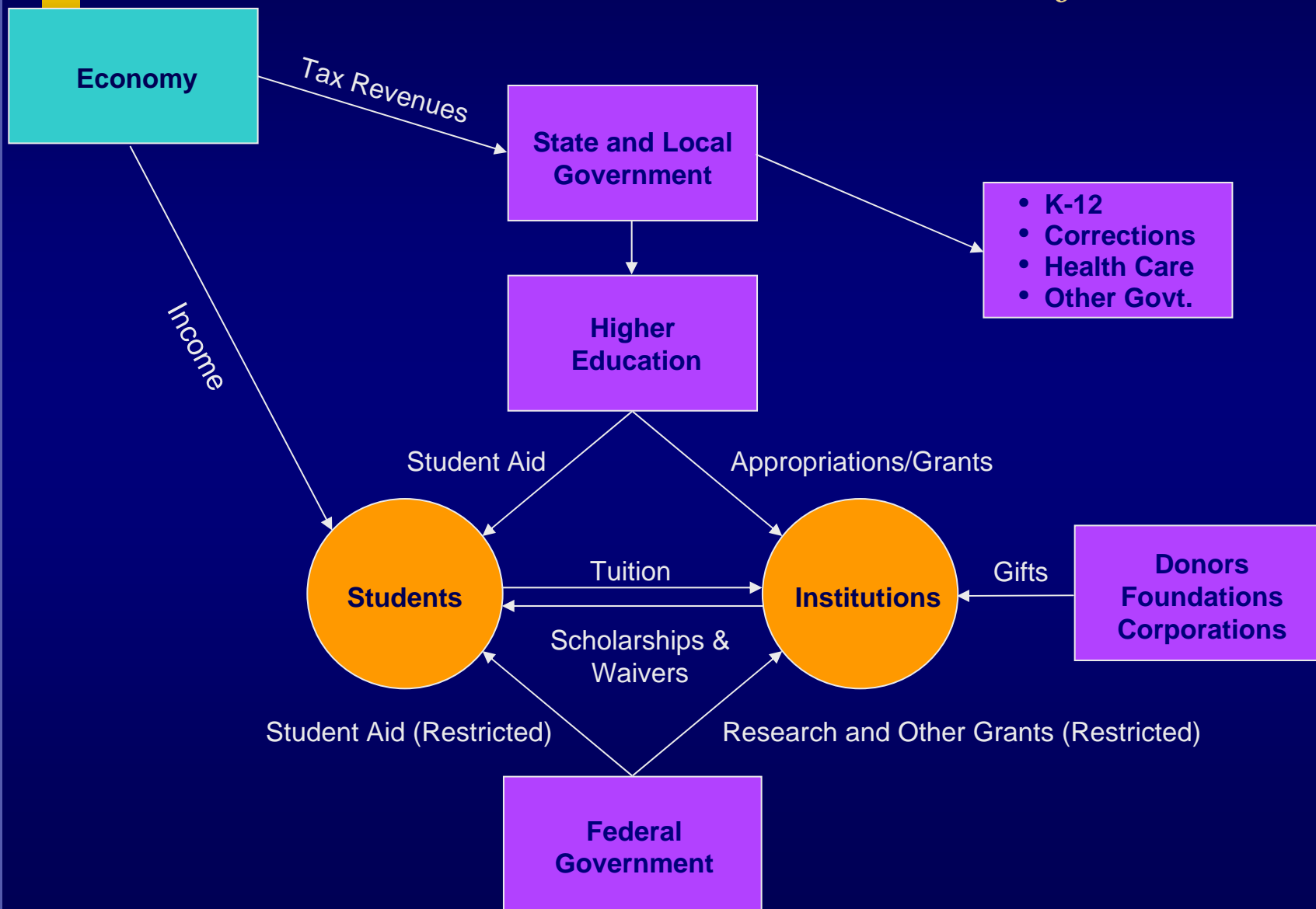
Other Factors

- Technology and the New Competition
- Changing Approaches to Policy
- Loss of the Social Contract

Many of the Environmental Changes Have Their Roots in Finance:

- Directly
- Indirectly

The Flow of Funds



Percentage Change in Spending to Maintain Current Services

Rank	State	Annual Avg. Advantage for Higher Ed.	8-Year Spending Growth Rate		Rank	State	Annual Avg. Advantage for Higher Ed.	8-Year Spending Growth Rate	
			All Programs	H.E.				All Programs	H.E.
1	Nevada	1.9	67.5	93.6	25	Georgia	-1.0	59.2	47.3
2	New Jersey	1.3	39.5	54.1	26	Kentucky	-1.1	47.9	35.5
3	Virginia	0.6	47.4	54.3	27	Texas	-1.2	56.1	42.7
4	Connecticut	0.4	40.0	44.6	28	Iowa	-1.5	41.7	26.6
5	Massachusetts	0.3	39.9	43.6	29	Minnesota	-1.5	42.1	27.0
6	Illinois	0.3	39.2	42.5	30	South Carolina	-1.4	59.4	43.8
7	Arizona	0.3	59.9	63.1	31	Washington	-1.5	51.0	34.5
8	Pennsylvania	0.1	37.5	38.3	32	Kansas	-1.7	39.3	22.6
9	Delaware	-0.1	42.6	41.9	33	Oklahoma	-1.7	40.5	23.5
10	Colorado	-0.2	50.3	48.5	34	Arkansas	-1.7	46.9	28.5
11	Maryland	-0.2	42.6	40.8	35	Hawaii	-1.9	43.9	23.9
12	Rhode Island	-0.2	38.9	37.0	36	West Virginia	-2.0	43.7	22.7
13	Michigan	-0.3	37.5	34.2	37	Oregon	-1.9	52.5	31.4
14	California	-0.3	52.2	48.5	38	Nebraska	-2.1	40.8	19.5
15	North Carolina	-0.3	55.3	51.3	39	Montana	-2.2	36.8	15.1
16	Florida	-0.6	57.5	51.0	40	Alabama	-2.0	49.6	27.8
17	New York	-0.6	44.1	37.4	41	Maine	-2.2	42.5	20.1
18	Alaska	-0.7	41.8	34.7	42	Utah	-2.1	51.2	28.7
	United States	-0.7	47.4	40.0	43	Idaho	-2.2	54.9	31.0
19	Ohio	-0.7	40.2	32.7	44	Mississippi	-2.2	52.9	28.9
20	New Hampshire	-0.7	46.8	39.1	45	Vermont	-2.9	37.8	10.2
21	Missouri	-0.7	43.6	35.6	46	Louisiana	-2.7	46.7	18.8
22	Tennessee	-0.9	51.9	41.5	47	North Dakota	-3.3	33.7	3.3
23	Indiana	-1.0	45.8	35.3	48	South Dakota	-3.2	38.1	7.2
24	Wisconsin	-1.1	38.9	27.9	49	New Mexico	-3.0	53.4	21.9
					50	Wyoming	-4.5	44.1	1.6

Source: Rockefeller Institute of Government 2002

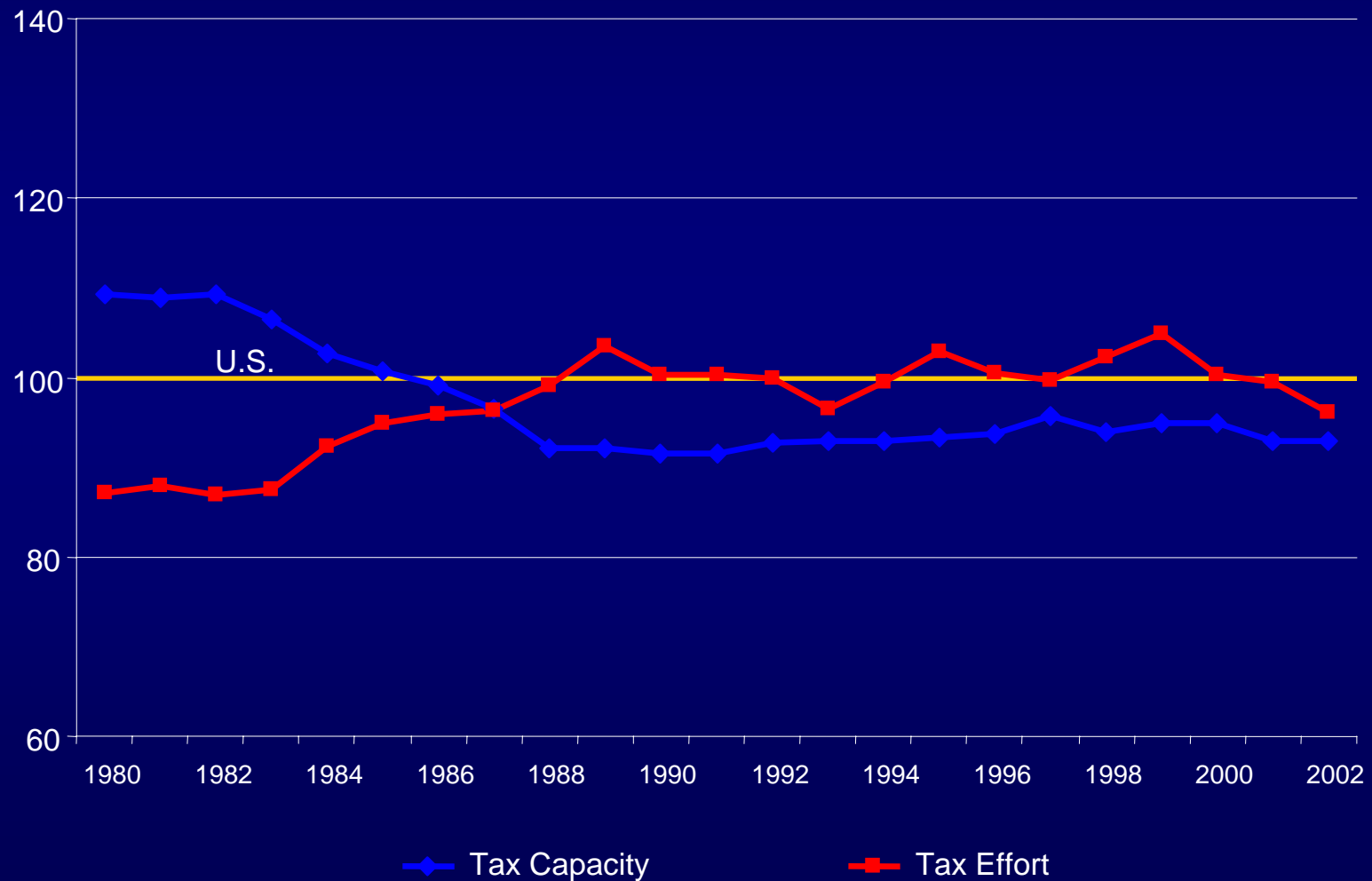
State and Local Surplus or Shortfall as a Percent of Baseline Revenues in Year 2010

Rank	State	Percent	Rank	State	Percent	Rank	State	Percent
1	Vermont	3.1	18	South Dakota	-1.7	34	Iowa	-3.7
2	North Dakota	2.2	19	Michigan	-1.7	35	New York	-3.8
3	Maine	1.3	20	Rhode Island	-1.9	36	Illinois	-4.2
4	New Jersey	0.6	21	Minnesota	-1.9	37	Missouri	-4.7
5	Delaware	0.2	22	Colorado	-2.3	38	Washington	-4.9
6	Wisconsin	0.0	23	Alaska	-2.4	39	Idaho	-5.0
7	Kansas	-0.3	24	California	-2.5	40	Indiana	-5.2
8	Montana	-0.4	25	Connecticut	-2.9	41	North Carolina	-5.6
9	Maryland	-0.5	26	West Virginia	-2.9	42	Texas	-5.7
10	New Hampshire	-0.6	27	Pennsylvania	-2.9	43	Florida	-5.7
11	Arizona	-0.7	28	Virginia	-3.0	44	South Carolina	-6.3
12	Massachusetts	-0.8	29	Georgia	-3.2	45	Wyoming	-7.8
13	Utah	-0.8		United States	-3.4	46	Mississippi	-8.6
14	Oklahoma	-1.3	30	Kentucky	-3.4	47	Louisiana	-8.8
15	Oregon	-1.3	31	Arkansas	-3.5	48	Alabama	-9.2
16	Nebraska	-1.4	32	Hawaii	-3.6	49	Nevada	-9.2
17	Ohio	-1.4	33	New Mexico	-3.6	50	Tennessee	-9.7

Source: Rockefeller Institute of Government 2002

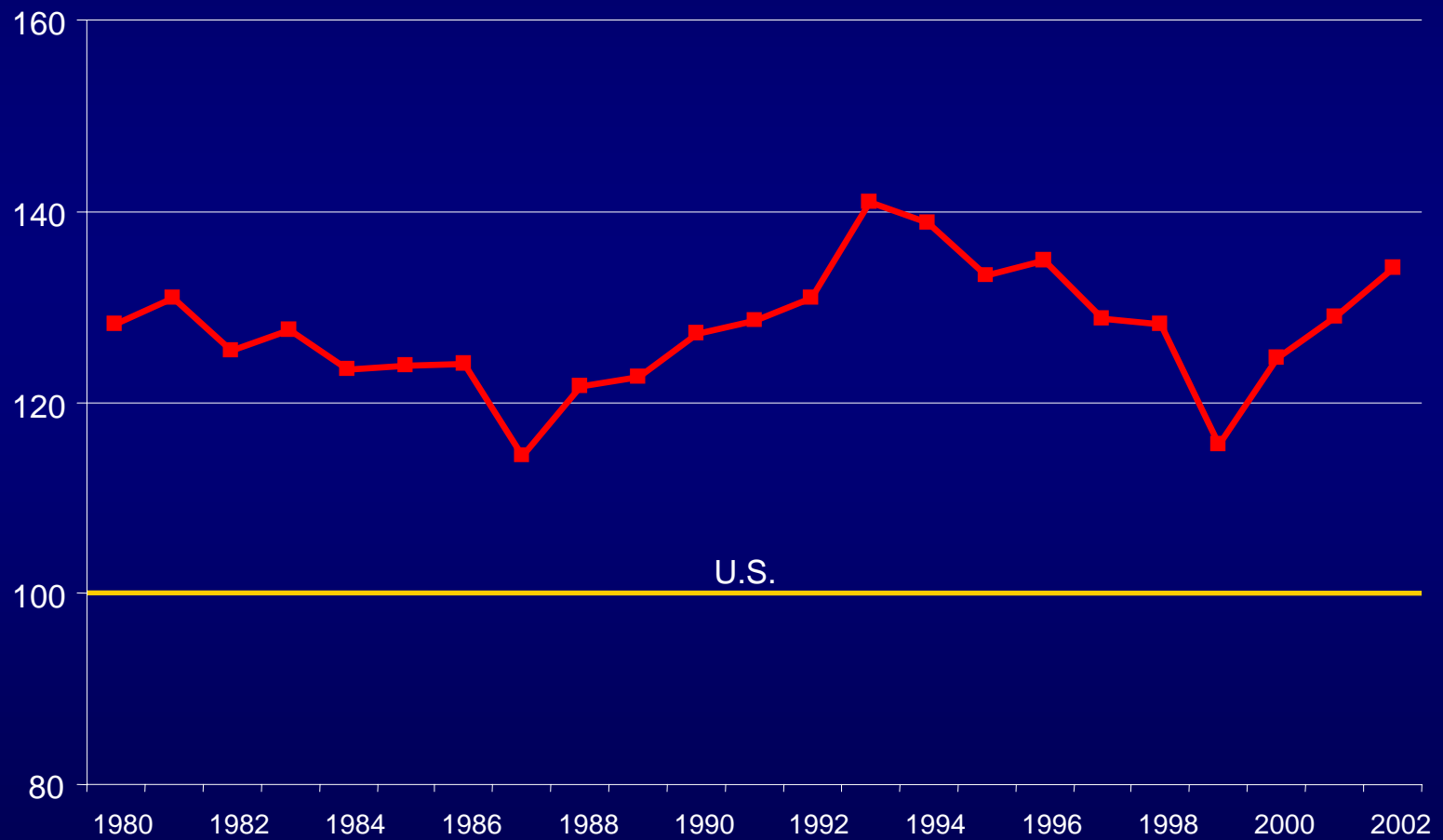
Indices of Support for Higher Education—Kansas

State Tax Capacity and Effort



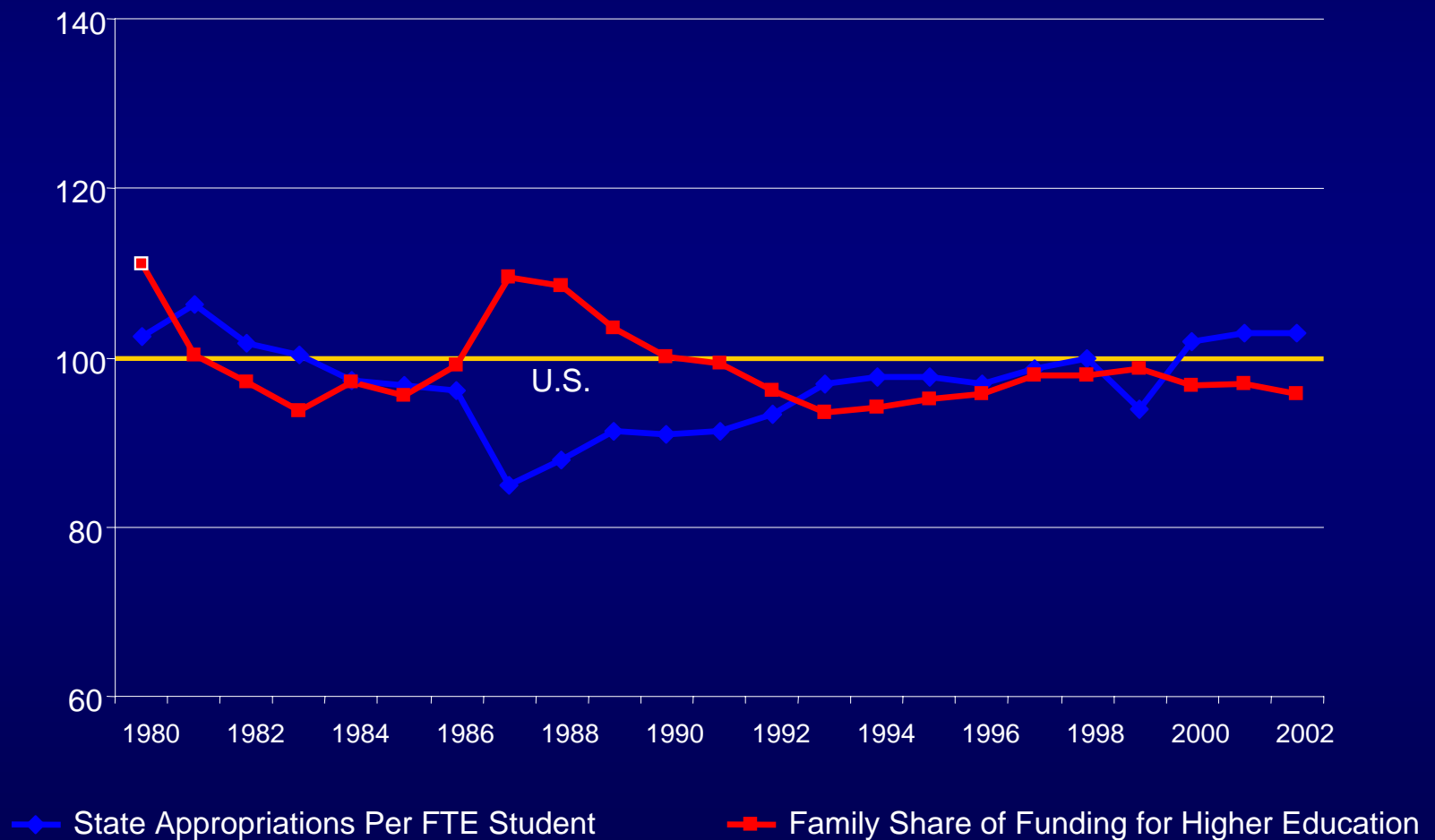
Indices of Support for Higher Education—Kansas

State Higher Education Priority—Higher Education Appropriations Relative to State and Local Tax Revenues

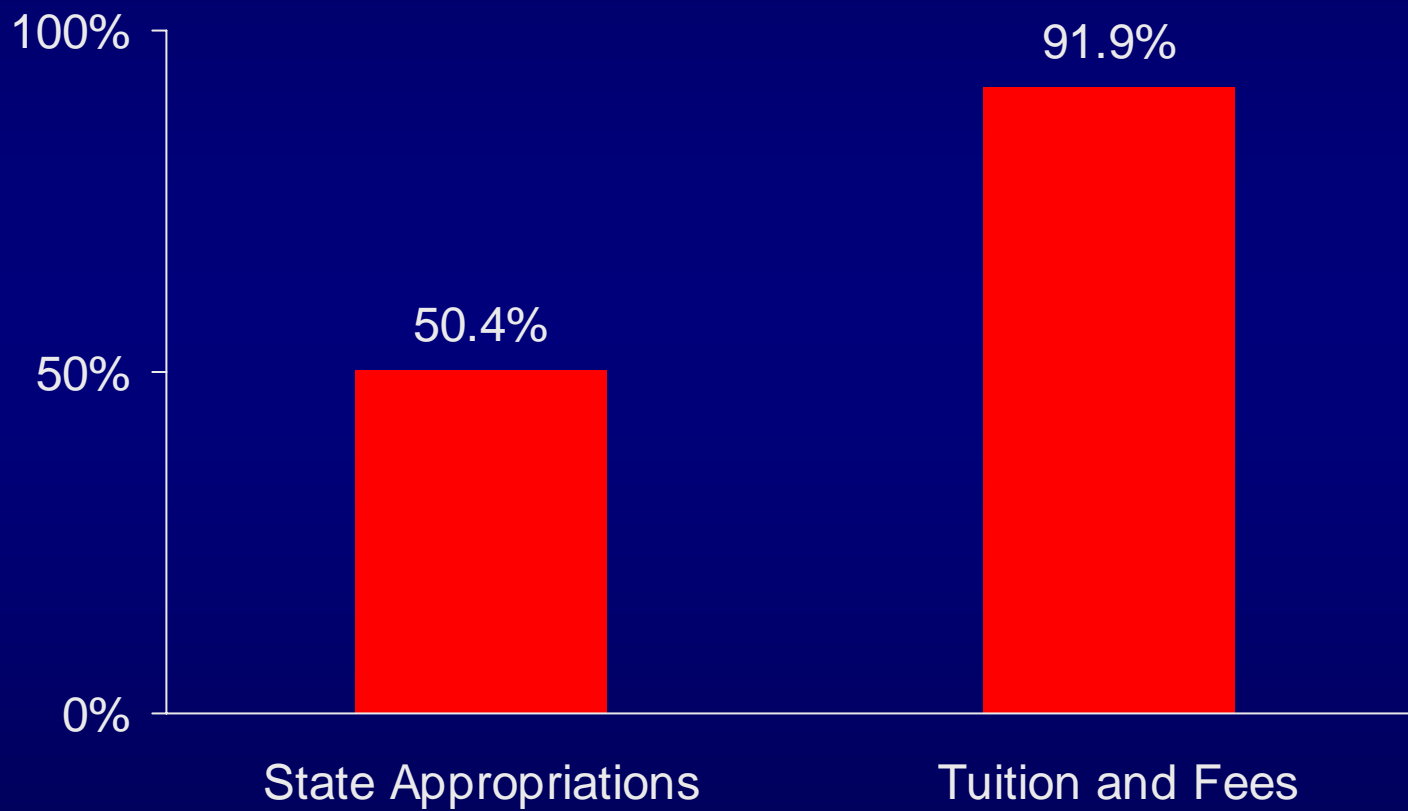


Indices of Support for Higher Education—Kansas

State and Local Appropriations per Student and Family Share of Funding

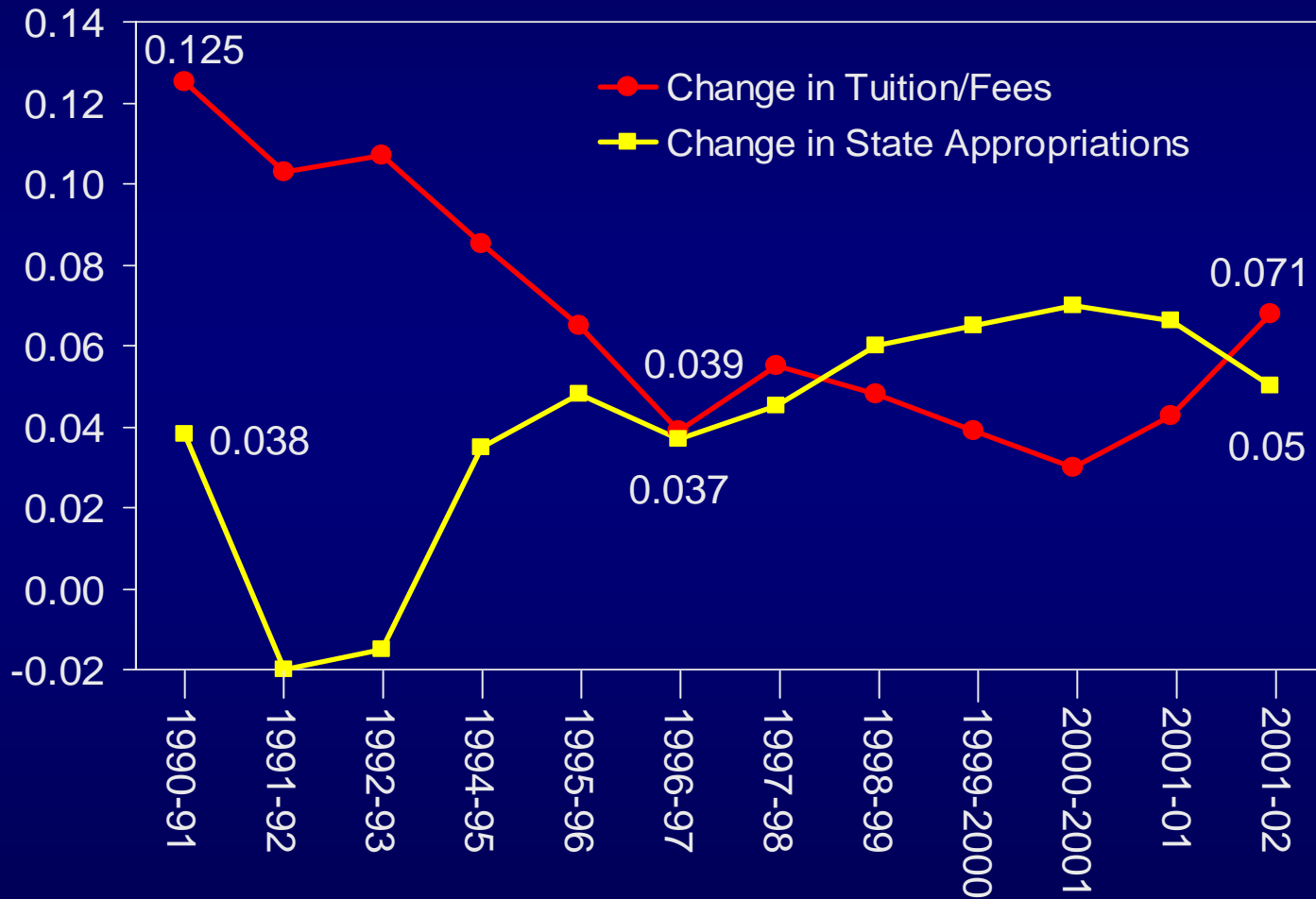


Increases in Revenues, 1990-2001



Source: NCES, IPEDS

Change in Resident Undergraduate Student Charges and State Appropriations, Public Colleges and Universities, 1990-91 to 2001-02



Source: AASCU/NASULGC 2001

The Policy Response

- Increasing Reliance on “Market Forces”

Interpretation: The Client Pays

- Privatization

- Enterprise Status for Parts of the Institution
- Vouchers

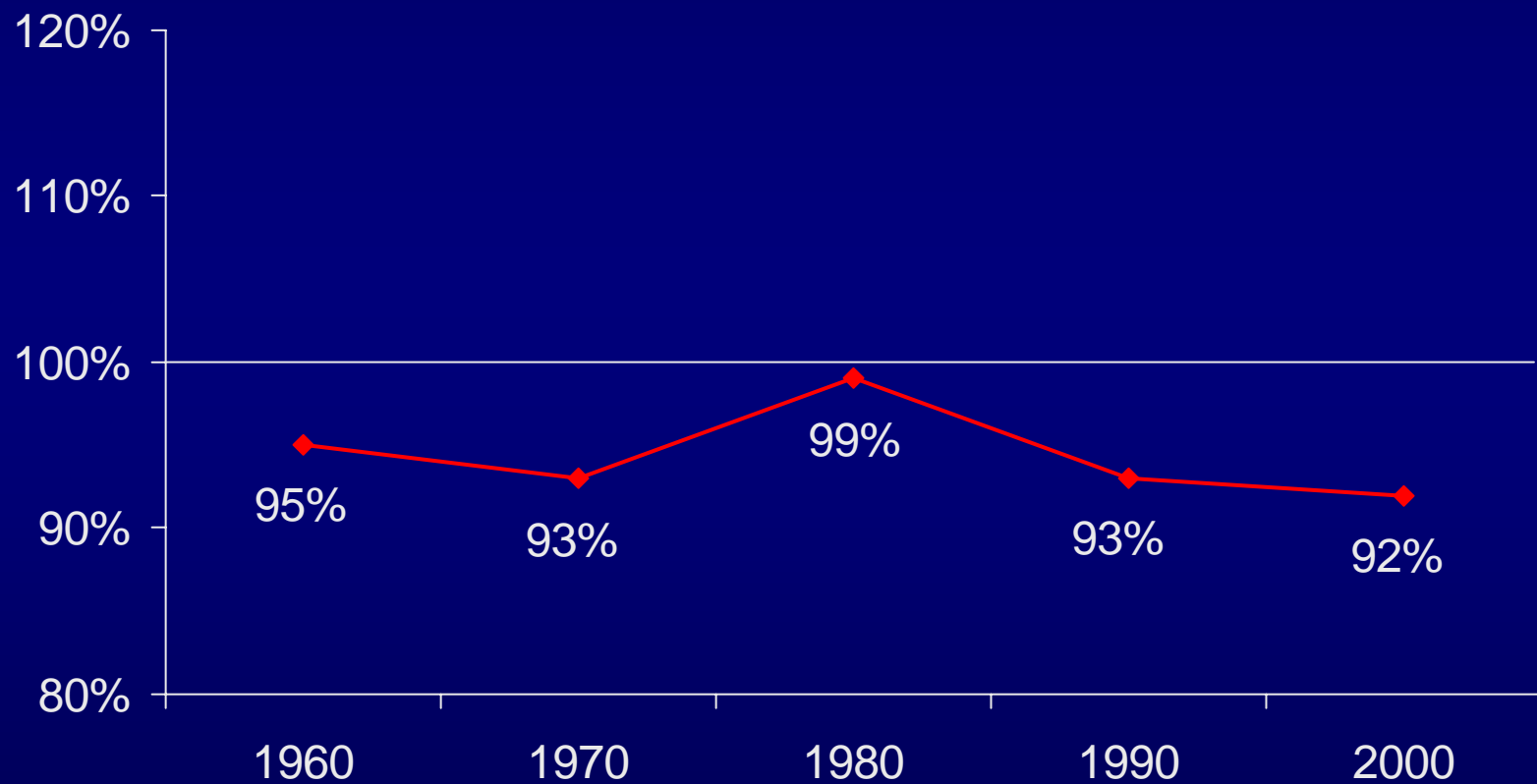
Bottom Line

- Clients Becoming More Important as a Source of Revenue
- They Can—and Likely Will—Be More Demanding
- Pricing and Discounting Practices Have Higher Stakes

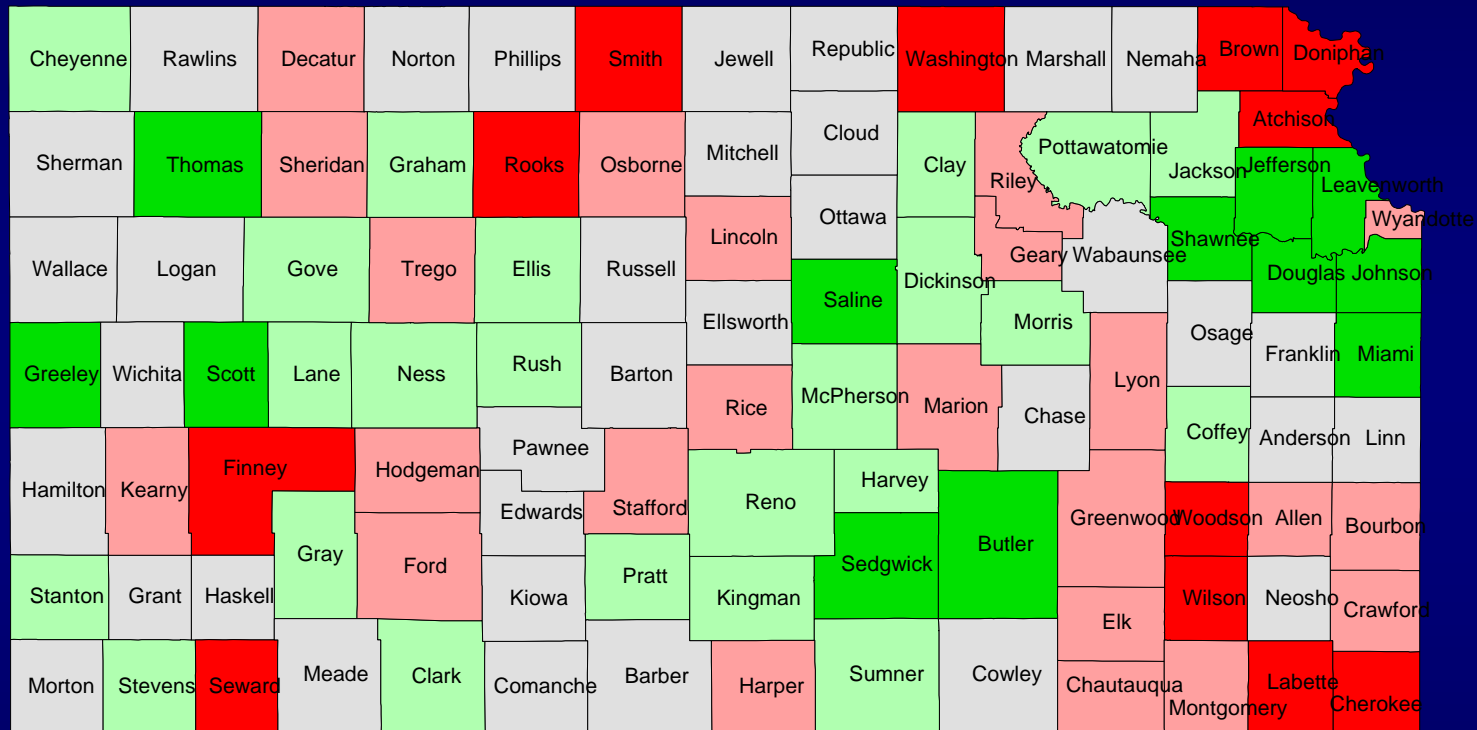
Client Expectations—Students

- Access to Programs and Resources (Especially Technology)
- Affordability
- Accommodation to Personal Schedules
- Transferability of Credit

Kansas Per Capita Income as a Percent of the United States



Per Capita Income by County



Kansas = \$20,506

Data Source: US Census Bureau, 2000 Census



KANSAS

AFFORDABILITY | C-

	Kansas 2000	Kansas 2002	Top States 2002
FAMILY ABILITY TO PAY (50%)			
Percent of income (average of all income groups) needed to pay for college expenses minus financial aid:			
at community colleges	17%	17%	16%
at public 4-year colleges/universities	19%	19%	18%
at private 4-year colleges/universities	43%	41%	32%
STRATEGIES FOR AFFORDABILITY (40%)			
State grant aid targeted to low-income families as a percent of federal Pell Grant aid to at private 4-year colleges/universities	17%	17%	108%
Share of income that poorest families need to pay for tuition at lowest priced colleges	12%	12%	8%
RELIANCE ON LOANS (10%)			
Average loan amount that undergraduate students borrow each year ²	\$3,391	\$3,115	\$2,928

² Data for Measuring Up 2000 include all students, not just undergraduates.

Note: In the Affordability category, the lower the figures the better the performance for all indicators except for "State grant aid...as a percent of federal Pell Grant aid."

KANSAS

INCOME GROUPS USED TO CALCULATE 2002 FAMILY ABILITY TO PAY

Percent of family income needed to pay for college expenses minus financial aid:	at community colleges	at public 4-year colleges/universities	at private 4-year colleges/universities
For 20% of the population with the lowest income	39	44	98
For 20% of the population with lower-middle income	19	21	46
For 20% of the population with middle income	12	14	28
For 20% of the population with upper-middle income	9	10	20
For 20% of the population with the highest income	5	6	13

Note: Data are from 2000-01.

State Comparisons: Index Scores—Affordability

STATE	Category Grade	Category Index Score	Family Ability to Pay (50%)						STATE	Category Grade	Category Index Score	Family Ability to Pay (50%)					
			At Community Colleges*	At Public 4-Yr Colleges*	At Private 4-Yr Colleges*	Need-Based Financial Aid (20%)	Low-Priced Colleges (20%)	Low Student Debt (10%)				At Community Colleges*	At Public 4-Yr Colleges*	At Private 4-Yr Colleges*	Need-Based Financial Aid (20%)	Low-Priced Colleges (20%)	Low Student Debt (10%)
Alabama	F	57	78	75	74	1	47	91	Montana	F	51	65	67	67	6	37	93
Alaska	D	63	83	83	100	0	59	96	Nebraska	D	66	90	80	70	12	67	97
Arizona	D-	62	71	69	59	2	97	82	Nevada	D+	68	75	76	61	25	82	85
Arkansas	C	74	95	88	83	32	67	96	New Hampshire	F	45	67	61	56	6	31	78
California	A	100**	68	62	42	44	293	83	New Jersey	C-	72	74	64	62	98	49	87
Colorado	C-	72	88	87	53	39	74	81	New Mexico	C-	70	83	77	43	24	84	98
Connecticut	C-	71	83	71	53	89	64	78	New York	F	56	55	59	42	86	30	83
Delaware	F	54	75	60	78	8	60	72	North Carolina	C	75	89	88	55	29	100	87
Florida	D-	60	71	77	52	15	64	95	North Dakota	D	65	87	87	118	3	46	105
Georgia	D	65	91	95	58	0	71	88	Ohio	F	55	68	61	59	35	43	87
Hawaii	D	65	84	72	70	2	92	84	Oklahoma	C	74	98	102	71	15	67	95
Idaho	D+	69	94	89	81	1	72	92	Oregon	F	53	66	60	44	21	54	85
Illinois	B	85	88	76	63	123	70	87	Pennsylvania	D+	67	76	59	51	102	44	85
Indiana	D+	69	74	72	61	72	51	93	Rhode Island	F	43	58	50	40	18	46	73
Iowa	C	73	85	90	70	56	51	100	South Carolina	D+	67	91	68	71	33	67	89
Kansas	C-	72	97	92	78	16	71	94	South Dakota	F	59	83	87	73	0	35	100
Kentucky	C	74	95	92	80	34	62	98	Tennessee	D-	61	79	74	60	19	62	91
Louisiana	D	63	97	82	39	1	70	91	Texas	D+	67	81	72	59	17	89	91
Maine	F	56	70	69	51	37	40	91	Utah	B	86	103	108	156	3	75	98
Maryland	D-	62	80	70	56	39	54	79	Vermont	F	56	59	47	52	84	32	74
Massachusetts	D-	62	78	71	41	83	52	77	Virginia	B-	81	102	85	75	42	100	84
Michigan	D+	68	83	68	85	45	60	97	Washington	C-	70	80	77	57	63	58	85
Minnesota	B	85	100	100	68	100	49	97	West Virginia	F	57	63	68	57	27	43	95
Mississippi	D	64	85	78	75	1	66	102	Wisconsin	C	76	94	95	65	61	49	95
Missouri	D+	67	98	81	68	18	71	91	Wyoming	D	66	85	87	0	0	66	98

* Weights within the Family Ability to Pay indicators are based on enrollment by type of institution. The zero score for Wyoming on Family Ability to Pay at Private 4-Year Colleges is weighted at zero, and as a result does not affect the state's overall grade for affordability.

**Actual Index Score is over 100.

Notes: Numbers in bold refer to best-performing states.

Client Expectations—Employers

- Application of Knowledge and Skills
- Certification of Learning
- “Just-in-Time” Education
- Learning Modules Smaller than Degrees

Client Expectations—Communities

- A Gateway to Whatever Education Citizens and Employers Need
- Contributions to Economic Development and Quality of Life

Client Expectations—The State

- Expansion and Diversification of the Economy
- Improving Performance of K-12 Education
- Contributing to Solution of Problems Normally Addressed in Other Agencies of State Government
 - Social Services
 - Corrections
 - Environmental Quality
 - Labor/Commerce
 - Etc.

Implications for Universities

- Academic
- Support Services

Academic Requirements

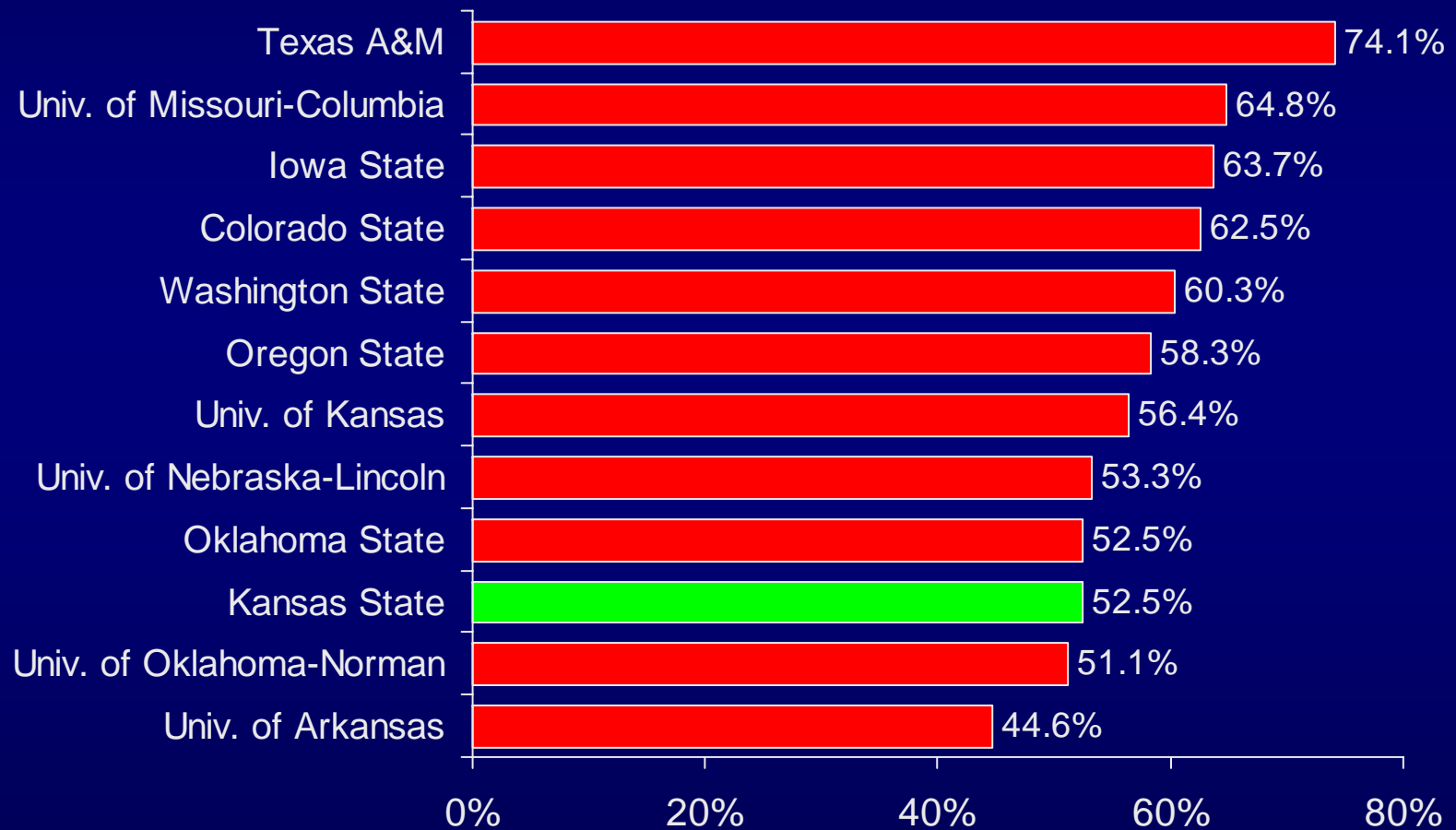
Access to:

- Courses
- Programs
- Technology
- Faculty/Mentors
- Active Learning Experiences

Most Important—Access to Success

- Graduation
- A “Good” Job

Six-Year Graduation Rates, 2001



Improving Retention

As a Way of:

- Enhancing Revenue
- Reducing Recruitment Costs
- Filling Unused Upper-Division Seats

As a Rule

- Increased Lower-Division Enrollments Create a Requirement for Additional Expenditures
 $MR = MC$
- Increased Upper-Division Enrollments Create a Lesser Requirement for Additional Expenditures
 $MR > MC$

Support Services

- Form
- Substance

Form

- One-Stop Shop
- Generalists vs. Specialists
- Minimum Hassle
- 24/7—Use of Technology

Substance

- Student Aid
- Advising
- Placement

Amenities

- Housing
- Food Services
- Recreation

Characteristics of Successful Institutions

- Focus on Clients
- Attention to Core Competencies
- Connection to World of Work
 - Current Information About Needs
 - Opportunities for Application
- Assessment (and Certification) of Competencies

(continued)

Characteristics of Successful Institutions (cont.)

- Flexibility
 - Broker as Well as Provider
- Willingness to Collaborate/Create Strategic Alliances
- Effective/Appropriate Use of Technology



Become a Value-Added Reseller

The Evolving Role of Institutions

- Less Emphasis on Teaching
- More Emphasis on:
 - Assessing Needs
 - Brokering Instruction
 - Mentoring Students
 - Providing Student and Administrative Support Services

The Key to Managing Costs at the Institutional Level...

...Is Effective Management of Human Resources.

Time/Effort is the Key Resource to Be Allocated.

Management Discretion Extends to:

- Assignments of Personnel to Functions
- Assignments of Personnel to Activities

Administrative Decision Space

	Full-Time Faculty	Part-Time Faculty	Students	Administrative/ Professional
Lower-Division Instruction			X	
Upper-Division Instruction				
Graduate Instruction				
Research			X	
Community Service			X	
Advising				
Administration			X	
Professional Development				

Allocation of Assets to Instructional Activities

Five Instructional Activities	Faculty Member	Teaching Professional	Students	Technology	External Provider
Design					
Development					
Delivery					
Mediation					
Assessment					

The Unbundling of Institutional Functions

RESOURCES USED	ACTIVITIES							
	Curriculum Design	Content Development	Information Delivery	Mediation/Tutoring	Assessment	Advising/Counseling	Other Student Services	Administration
Faculty	X	X	X	X	X	X		
Professional Staff							X	X

(continued)

The Unbundling of Institutional Functions (cont.)

RESOURCES USED	ACTIVITIES							
	Curriculum Design	Content Development	Information Delivery	Mediation/Tutoring	Assessment	Advising/Counseling	Other Student Services	Administration
Faculty	X	X	X	/		X		
Students				X	/			
Professional Staff							X	X

(continued)

The Unbundling of Institutional Functions (cont.)

RESOURCES USED	ACTIVITIES						
	Curriculum Design	Content Development	Information Delivery	Mediation/Tutoring	Assessment	Advising/Counseling	Other Student Services Administration
Faculty	X						
Vendors		X					
Technologies			X				
Technical Staff			X				
Paraprofessionals/ Students				X			
Partner Organization					X	X	X

Managing the Array of Programs

- Incidence of Small Programs—Few Majors or Graduates
- Proliferation of Minors
- Avoiding Programs that Are Unrelated to Any Other Programs—the Importance of Creating Groupings of Related Programs
- Avoiding Situations in Which Selective Admissions Programs:
 - Create a Dropout Problem
 - Have no Obvious Fallback Position for Students Who Do not Gain Admissions

Creating Managerial Degrees of Freedom Through Influencing Course/Curriculum Content

- The More Specific the Course, the Fewer the Degrees of Freedom—a Faculty with a Specific Disciplinary Background Must Teach the Course
- The More General the Course, the Greater the Degrees of Freedom—Faculty from Multiple Disciplines Can Teach the Course
- Creative Use of Freshmen Seminars/First-Year Experience

The Importance of System Action—
Ensuring Transferability

The Consequences of General Education Distribution Requirements

- Press for Majors in All Departments with Courses that Can Be Counted for General Education Credit
- Small Classes

Exercise: Document the Courses that Students Actually Take in Fulfillment of General Education Requirements

- Focus Attention on Courses that Dominate the Choices
- Eliminate Others