The Perfect Storm in Higher Education

By David Longanecker
Western Interstate Commission for Higher Education

In the West, every state claims to share the same public policy goals: to provide broad access to high-quality education, and to do so cost-effectively. But today the West is facing three massive waves—a growing number of prospective students, changes in the characteristics of those students, and limited resources—that will severely test their ability to meet these goals.

When it comes to higher education, virtually every state in the West claims to share the same public policy goals: to provide broad access to high-quality education for all citizens who can and want to benefit, and to do so as cost-effectively as possible. Throughout the West’s relatively short history, our states have pursued these goals in various ways and with varying levels of success.

The circumstances we face today present unique challenges that will severely test our ability to meet these goals—challenges that may surpass any we have faced yet. Western higher education is caught up in “The Perfect Storm”: the confluence of three massive waves—a growing number of prospective students, changes in the characteristics of those students, and limited resources—each cresting at the same time.

The First Wave: Rising Demand

Nationally, all else being equal, we can expect a 13 percent increase in the demand for higher education between 2002 and 2012.1 But in fact, all else will not be equal: demand will far exceed this projection. What’s more, the West will experience a higher share of this increase than any other region.

Demographics will force most of this increase. In the West, the traditional college-age population will grow by 25 percent between 2000 and 2015. This will be fueled mostly by an increase in the number of high school graduates in the neighborhood of 15 percent during the same time frame—the biggest increase in any region.

The West will face a much more precipitous demographic challenge than will the rest of the country, half again as large as the projected increase in the South and twice the rate in the Northeast, with the North Central region projecting no increase.

But raw demographics don’t tell the whole story. As important is our desire to boost higher education participation and success. Almost certainly, every Western state has adopted explicit public policy intended to increase the number of high school graduates, the number of college students completing degrees, and the share of adults who continue their higher education. Meeting these goals will billow the demand for higher education far beyond what simple demographics will do.

Nevada provides one of the starkest examples of how achieving these goals would play out. Demographics will account for a 60 percent increase in enrollment over the next decade. But factor in Nevada’s public policy goal of reaching the Western average for participation and completion—amounting to an additional 40 percent boost—and the projected increase rises to 100 percent. Other states face their own hurdles. In percentage terms, California’s challenge looks comparatively modest, requiring “only” a 45 percent increase to achieve the state’s explicit objectives. But the numbers are daunting: 750,000 new students per year by the end of the decade—the equivalent of nearly 20 new campuses with 20,000 students each.

The Second Wave: Who We Will Serve (and How)

The second wave—the students we will be serving—presents another challenge. While many future students will come from traditional college-age cohorts, they will not be traditional in other ways. Increasingly, they will come from communities of color and economically disadvantaged households, populations higher education has not served well. In less than a decade, by 2012, communities of color will supply the majority (54 percent) of the West’s high school graduates, up from 41 percent in 2002.2

Most of this increase will be Latino/Hispanic students; a population American higher education has served particularly poorly. Today, in the United States, Latino/Hispanic high school graduates are 10.5 percent less likely to go to college than are students in general. This is a particular challenge in the West, where 24 percent of the population is Latino/Hispanic—but they represent only 11 percent of those earning bachelor’s degrees, 16 percent of associate degree recipients and 15 percent of full-time, first-time freshmen.

The statistics are similar for students from low-income backgrounds—not surprising considering the high correlation between ethnicity and income. What is of most concern with respect to low-income students, however, is that in addition to...
being poorly represented, their numbers are trending downward. In 1999, participation of low-income students who had recently graduated from high school stood at an already meager 27.5 percent (compared to 54 percent of the population at large); in 2001, that number had dropped to only 23.1 percent. In the West, 14 out of 15 states saw drops in the participation during this period.3

If we want to build and sustain a highly productive and civil society, the West’s states and institutions must do better by these students. In fact, they need to do better by all students. According to Measuring Up 2002, when it comes to performance measures like preparation, participation and completion, the West is, overall, about average.4

On other measures, the West also has room to improve. According to Western Interstate Commission for Higher Education (WICHE) data, Western states (specifically Arizona, Wyoming, Washington, and Idaho) lead the nation in associate degree production.5 That’s good, but they also trail the rest in baccalaureate degree production. Interestingly, the workforce in many of the states is fairly well educated: Colorado, Arizona, Washington and Oregon, for example, are among the nation’s leaders in terms of the percent of the adult population with bachelor’s degrees. It’s just that many of those people have been educated elsewhere, moving West post-college.

In-migration has the opposite effect on the West’s performance on another measure: the share of 18- to 24-year-olds with a high school diploma or equivalent. The 2000 Census shows that most Western states rank well below the national average on this measure.6 The reason: immigration. The West receives a large share of immigrants to the United States, many of whom come from countries where education is not readily available or highly valued, and many of whom lack substantial formal education, often having completed compulsory education but not the equivalent of a high school education. This presents a particular challenge for the West. It’s imperative that we find a way to increase these citizens’ education levels if we are to bring them into an economy and society that increasingly demand a degree of sophistication and knowledge far beyond the basic. It’s essential if we are to keep the West—and the United States—competitive in the rapidly evolving global economy.

And our place in that economy is being challenged. Data from the Organisation for Economic Co-operation and Development show that today five countries—Canada, Finland, Ireland, Japan and Korea—educate a larger share of their population at the collegiate level than does the United States.7 What’s more, Australia, Belgium, France, Norway, Spain, Sweden and the United Kingdom are neck-and-neck with us—and set to pass us in the next decade. If knowledge is the key to the global economy of the new millennium, we’re in trouble.

The second wave of The Perfect Storm underlines what the first wave shows: more students are on the way, and more of them will be the kinds of students we’ve failed in the past. Unless we change the way in which we serve students today, we will fail the students of the future. The challenge for the West will be to muster the will and capacity to serve all students well, and by doing so, to serve the essential interests of our society and economy.

The Third Wave: Resources (or the Lack Thereof)

Do the West’s states have the financial wherewithal to educate more students, particularly those we’ve served poorly in the past? The picture is bleak. In the last two years (fiscal 2003 and 2004), more than three-fourths of the states in the United States have faced deficit budgets. The West has been hit hard, with all but two states (Wyoming and New Mexico) reducing budgets and the services they support. Higher education has been hit the hardest, weathering higher cuts than any other area of state government.

Furthermore, the outlook for the future is troubled. The Rockefeller Institute of Government projects that all but four states will face structural budget deficits in the next decade, including all but one (North Dakota) of the 15 Western states (see Figure 1).8 Nevada, for instance, which as we mentioned faces a projected increase in demand for higher education services of...
100 percent, also expects to see a structural budget deficit of nearly 10 percent annually by the end of the decade.

How will states that can’t sustain current services, states that have reduced higher education’s share of their resources in recent years, meet the huge increase in demand and educate the increasingly difficult-to-serve clientele reflected in the first two waves of The Perfect Storm? Good question.

The Way Through It

We can already see some trends in how different states are responding to these exigencies. And there is some good news.

In New Mexico, fiscal 2004 funding for higher education increased by 1.6 percent, in part because the state had a healthy rainy-day fund from which to draw and in part because a higher education finance reform bill gave the legislature faith that their investments would pay high dividends. Combined with a tuition increase of 6 percent, this provides the New Mexico colleges and universities with increased revenue sufficient to offset inflation and provide for new investments above inflation, as well. Not only that, but New Mexico also increased funding for need-based aid by 6.6 percent to help offset the tuition increase for the state’s most needy students.

The picture in New Mexico isn’t completely rosy, however. The increases for the institutions presume no growth in enrollments, even though the state’s public policies are intentionally directed toward increasing higher education participation and success. And the boost in financial aid does not offset the real increase in costs for the neediest students because it is an increase on an inadequate base. When you add in the stagnation of the federal Pell Grant, which will not increase this year or next, it appears that states truly committed to financial access for their most needy students must not only increase their aid enough to offset increases in tuition but also compensate for the failure of the federal government to sustain its commitment to these students. Still, New Mexico’s story is mostly good news.

Another very good story has evolved in Nevada, where Gov. Kenny Guinn successfully championed a tax increase to ensure adequate support for education. The result: an increase in state funding of nearly 23 percent for higher education over the next biennium.

Other states are trying hard to do well, despite their financial problems. Arizona, one of these strivers, has a new strategic plan to “change directions,” intended to enhance excellence through higher tuition (given the lack of state capacity or will to do so) and to increase financial aid sufficiently to offset, dollar for dollar, tuition increases for the most needy students. The 39 percent boost in tuition sounds outrageous, but in fact it amounts to an increase of only $1,000, which continues to keep Arizona’s tuition in the lowest third of all states. This keeps Arizona affordable for middle-income students, generates revenue to improve the state’s overall funding for higher education, and protects access for the neediest students through increased need-based student aid.

Washington, another striver, faced an even greater challenge: a budget deficit of nearly 10 percent. Despite this, the state protected higher education as much as possible, cutting it by only 4.2 percent. Institutions were allowed to increase tuition by an average of 7 percent to offset the loss, and the state attempted to protect the neediest students with a 7 percent increase in state-funded financial aid. Even this heroic increase in financial aid fell short of actually protecting these students, however, because, in a situation similar to New Mexico’s, 7 percent of the financial aid base did not fully offset the 7 percent increase on the tuition base (an excellent example of the need for state policymakers to focus not only on percentages but also on the translation of these percentages into actual dollar values).

Not all states protected their investments in higher education. Oregon reduced higher education funding by 8.9 percent. Institutions responded with a 16 percent increase in tuition, just about enough to negate the state cut. As in Washington, the state increased financial aid in percentage terms equivalent to the average tuition increase, a 17 percent increase. While this was certainly a valiant effort, when translated into dollars per financial aid recipient, it will not fully offset the tuition increase for the neediest students.

The budget cuts in Colorado present a more egregious story. The 25 percent cut in higher education funding (17 percent from the final fiscal 2003 budget to fiscal 2004, plus a midyear 2003 cut of 8 percent) reflected a disproportionately large share of the overall 10 percent state deficit. This cut was to some extent unavoidable: strict tax and expenditure limitations imposed by Colorado state law provided no opportunity for tax relief and nondiscretionary increases in expenditures for other state services, such as Medicaid and elementary and secondary education, left only one large discretionary budget item to cut—higher education. Despite tuition increases averaging 7.8 percent, funding for institutions declined substantially. Compounding this, state need-based financial aid was also cut by nearly 7 percent, meaning that the neediest students lost substantial ground.

The Trends

These examples reflect four troublesome trends. First, as states face financial constraints, higher education budgets will be cut and in many cases will be cut disproportionately (states often have no choice). Second, institutions will be allowed to increase tuition enough to offset the loss in state appropriations, which is important if the state wishes to sustain viable institutions, though it creates a financial hardship for many students and their families. Third, financial aid, even when it’s raised, is usually not increased sufficiently to offset increased tuition, so poor students are left in worse shape financially. Fourth, institutional support generally trumps student support in difficult financial times. Given the prognosis of constrained resources for at least the next decade, these trends bode ill for maintaining, let alone expanding, access to higher education in the West.

These trends, and the three waves pushing them, culminate in The Perfect Storm facing higher education in the West.

Can we survive The Perfect Storm? We’ll get through it, certainly, one way or another—and the way get through it will help shape the West’s future economic, social and civic vitality. If we flounder blindly through the storm, we could easily lose ground, increasing the educational divide between the haves and have-nots, creating greater gaps in educational
achievement, and ending up with a workforce that's insufficiently educated to compete in the high-skills/high-wage economy of the future. One the other hand, if we weather the storm well, by planning and acting wisely, the West will be a better place to live and work in the future: more ethnically diverse, better educated, and more economically competitive. No matter which way we weather The Perfect Storm, it will be difficult. But the choice is ours—and it's obvious.

Endnotes
2The Western states differ greatly in these statistics. In Hawaii, 87 percent of high school students will come from communities of color; in Nevada, 62 percent of all students will come from communities of color, while in Utah that number is only 8 percent.
3Western states considered here include Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. Only one Western state, Hawaii, saw a substantial increase in low-income participaton, from 23.6 percent (below the national average) to 36.5 percent (substantially above the national average).
4National Center for Public Policy and Higher Education, Measuring Up 2002, (NCPHHE, 2002). Note: If the region is average, individual states exhibit a wide range of performance on various Measuring Up measures. On preparation Montana and Utah do exceptionally well, whereas Alaska, Arizona and New Mexico do poorly. With respect to higher education participation of recent high school graduates, New Mexico leads the West, while Nevada, Idaho and Alaska trail the national averages. On completion, Washington receives an A, but Alaska and Nevada receive a failing grade, trailing most of the rest of the nation.
5Western Interstate Commission for Higher Education, Regional Fact Book for Higher Education in the West, (WCHE, 2002). Note: Interestingly absent from that set of states is California, which has by far the largest community college system in the nation and helped put the community college on the map with the California Master Plan in the 1960s. Despite the exceptionally large number of students who enroll in the California community colleges, the state has an average output of associate degrees.

Bio
David A. Longanecker is the executive director of the Western Interstate Commission for Higher Education in Boulder, Colo. Previously, he served for six years as the assistant secretary for postsecondary education at the U.S. Department of Education. Prior to that, he was the state higher education executive officer (SHCEO) in Colorado and Minnesota. He was also the principal analyst for higher education for the Congressional Budget Office. Longanecker has served on numerous boards and commissions and was president of the State Higher Education Executive Officers. He holds an Ed.D. in education from Stanford University. P.O. Box 9752, Boulder CO 80301. (303) 541-0200. dlonganecker@wiche.edu

Interstate Cooperation in Homeland Security Continued from page 19

key procedures a program uses. In this case, as in other areas, non-compliance with a standard does not necessarily mean an activity is not occurring or cannot be accomplished in disaster. It means the steps to accomplish it are not recorded or institutionalized. Without documentation of procedures, a program is gambling that it will not face a disaster situation in which the individual who customarily handles that task is unavailable.

Through EMAP, continuity is improved by providing a catalyst to capture procedures, corrective action steps, and many other aspects of a quality program to ensure that the good work that usually occurs can continue—through changes of administration or the impacts of a disaster. Additionally, EMAP requires procedures for continuity of government. More than succession of key officers, the standard for means of continuing critical government services. By encouraging documentation of procedures and by requiring continuity of operations plans and continuity of government procedures, EMAP assists states in ensuring that key functions of government can continue in the face of serious disaster. NEMA and partner organizations began working in 1997 on what was to become EMAP because they identified a need for creation and application of comprehensive standards for state and local disaster management programs. Because of that foresight, as goals for stronger preparedness capabilities are now explored at the federal level, states are able to offer EMAP as the foundation for comprehensive, coordinated disaster preparedness.

More information about EMAP can be found at www.emaponline.org.

Endnotes
1NEMA is the national professional association representing state/territorial emergency management directors. Both NEMA and EMAP are affiliates of The Council of State Governments.

Bio
Emily Bentley, J.D., is executive director of the Emergency Management Accreditation Program (EMAP), a voluntary assessment and accreditation process for state and local government emergency management. Bentley has been with EMAP at CSG since August 2000, when it was still a special project of the National Emergency Management Association (NEMA). Before joining EMAP, she served as associate general counsel of the Association of State and Provincial Psychology Boards (ASPPB) and as a newspaper reporter. She has a background in public policy and interest in multi-state, multi-jurisdictional, and interagency cooperation. P.O. Box 11910, Lexington, KY 40510, (859) 244-8210. ebentley@cs.org

The Council of State Governments www.csg.org Fall 2004 25