

The Landscape of Higher Education: Preserving Excellence and Access in a Rapidly Changing Environment

**Eric W. Kaler, President
University of Minnesota**

**Board of Regents Work Session
October 13, 2011**



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Key Objectives

- Mission of a comprehensive research university
- Cost & affordability drivers
- Excellence in undergraduate education
- Financial aid
- Funding the future



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The Research University

- Research, teaching, scholarly and artistic work
- Economic impact
- Post-graduate education
- Unique undergraduate opportunities & experience



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The University of Minnesota

- Highly-ranked research university
- A public Land Grant
- In a thriving metropolitan region / state capital
- Comprehensive (agriculture + medicine)
- Only public research university in the state

The U of M is singular in the world of higher education and precious to the people of Minnesota



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National Trends: Undergraduate Education

- Academic rigor
- Focus on undergraduate education
- Erosion of public funding
- Rising costs



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2006 Spellings Report



A TEST OF LEADERSHIP

Charting the Future of U.S. Higher Education

A Report of the Commission Appointed by
Secretary of Education Margaret Spellings



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2006 Spellings Report

“In tomorrow’s world a nation’s wealth will derive from its capacity to educate, attract, and retain citizens who are able to work smarter and learn faster – making educational achievement ever more important both for individuals and for society writ large.”



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2006 Spellings Report

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“We remained so far ahead of our competitors for so long, however, that we began to take our postsecondary superiority for granted. The results of this inattention, though little known to many of our fellow citizens, are sobering.”



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2006 Spellings Report

- Identified six key issues
 - Access
 - **Cost and affordability**
 - **Financial aid**
 - Learning
 - Transparency and accountability
 - Innovation
- Concerns about the report include:

“The analysis ... and the solutions ... do not take into account the enormous range of institutions that comprise higher education. [It] fails to acknowledge the variety of innovations initiated by ... faculty to improve teaching and learning on our campuses”



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Cost and Affordability



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Higher Education Price Index (HEPI)

- Recognized index for higher education
- Identifies major higher ed cost drivers
- Typically higher than consumer price index

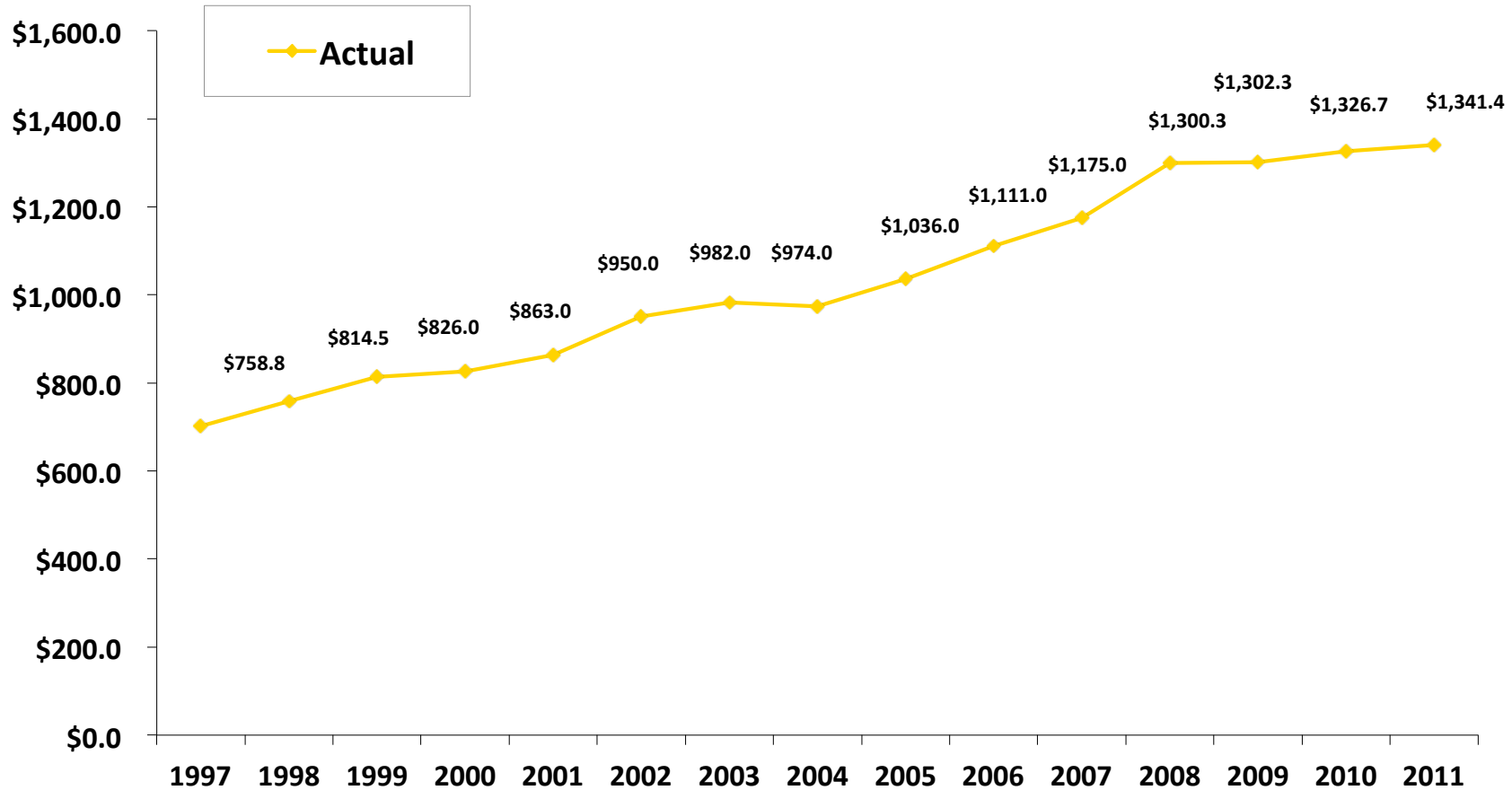


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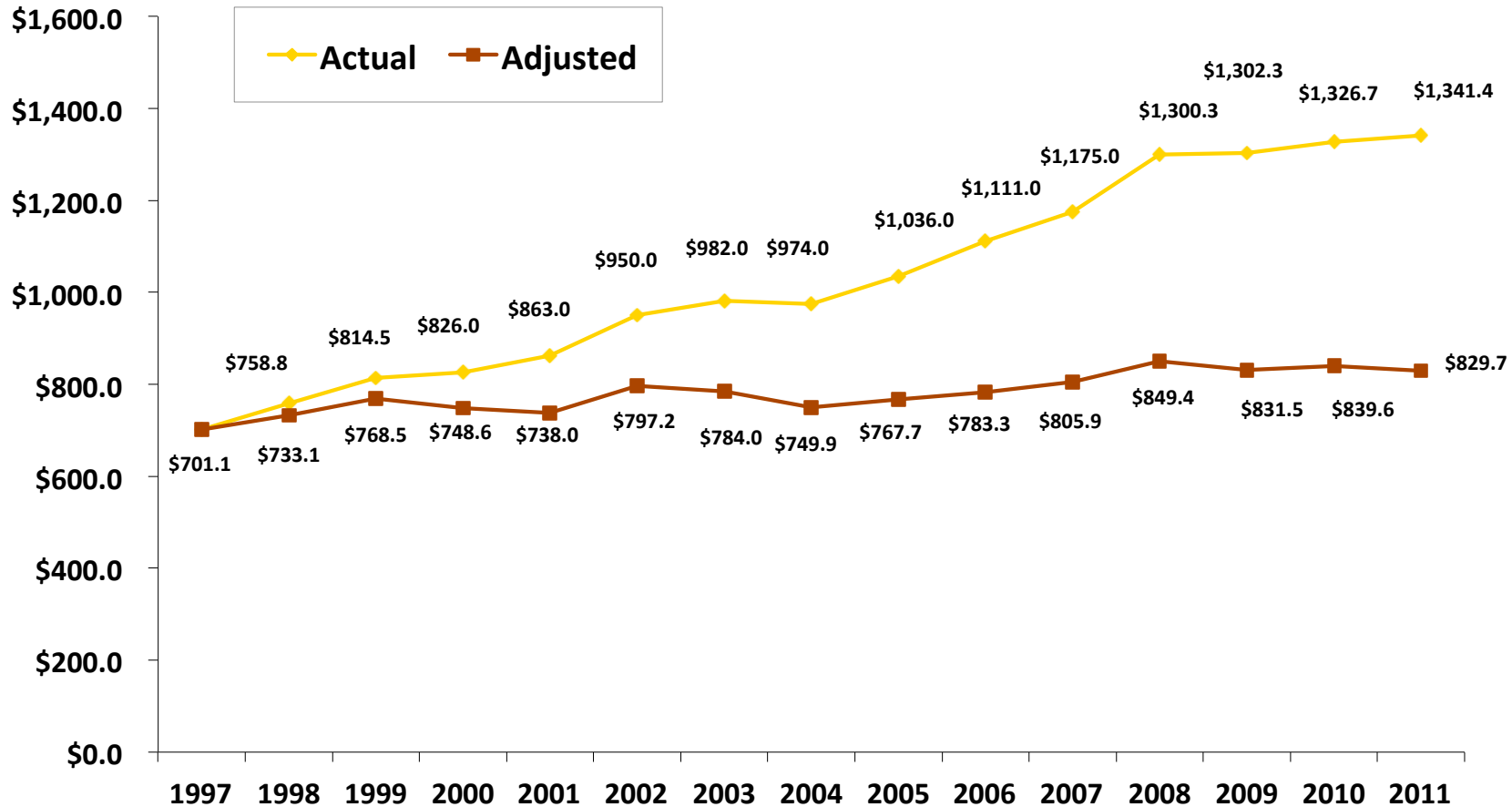
Tuition Revenue & State Appropriation Trends

1997 to 2011: Actual dollars

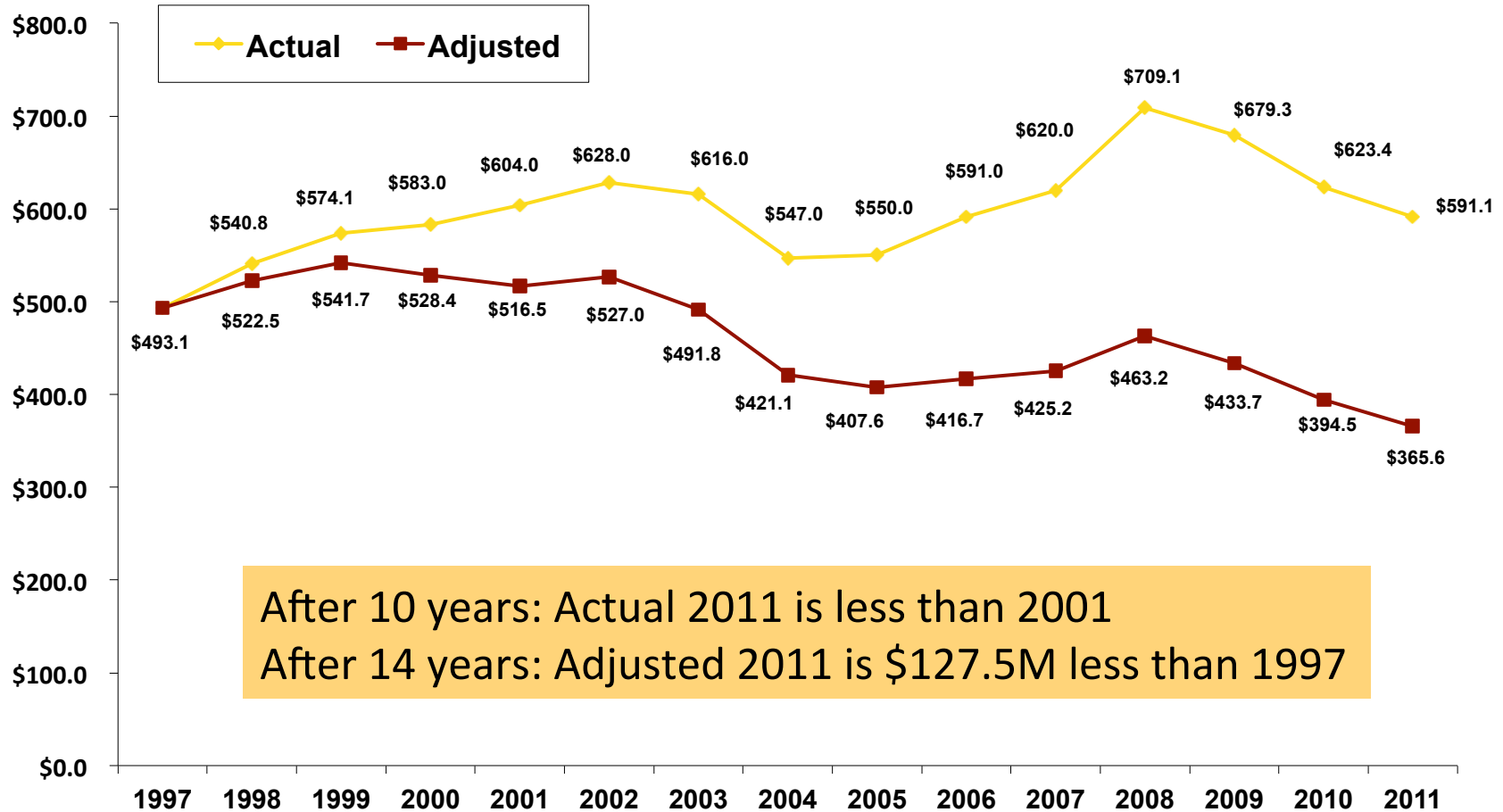


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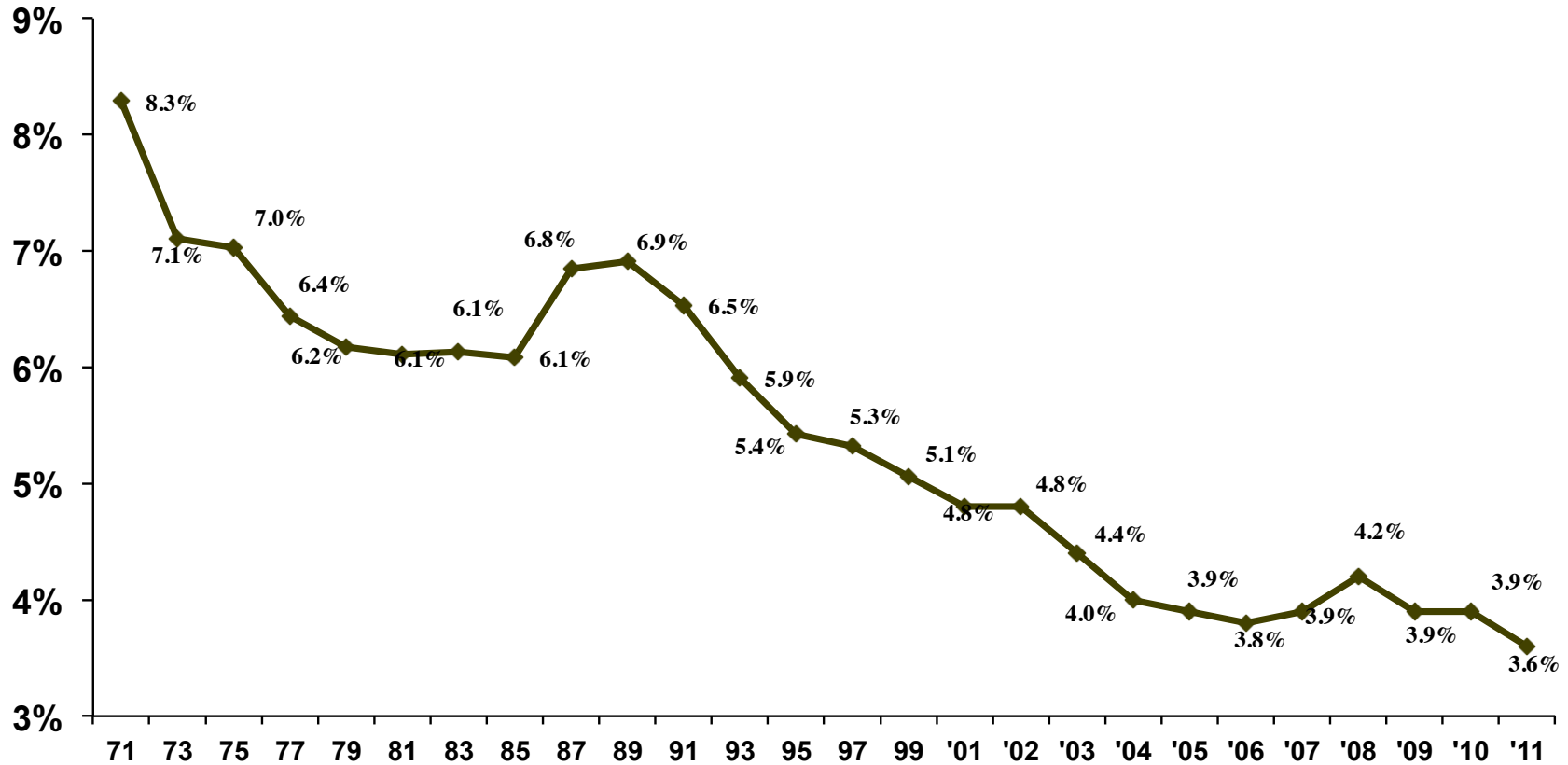
Tuition Revenue & State Appropriation Trends 1997 to 2011: Actual & adjusted for inflation (HEPI)



State Appropriations 1997 to 2011: Actual & adjusted for Inflation (HEPI)

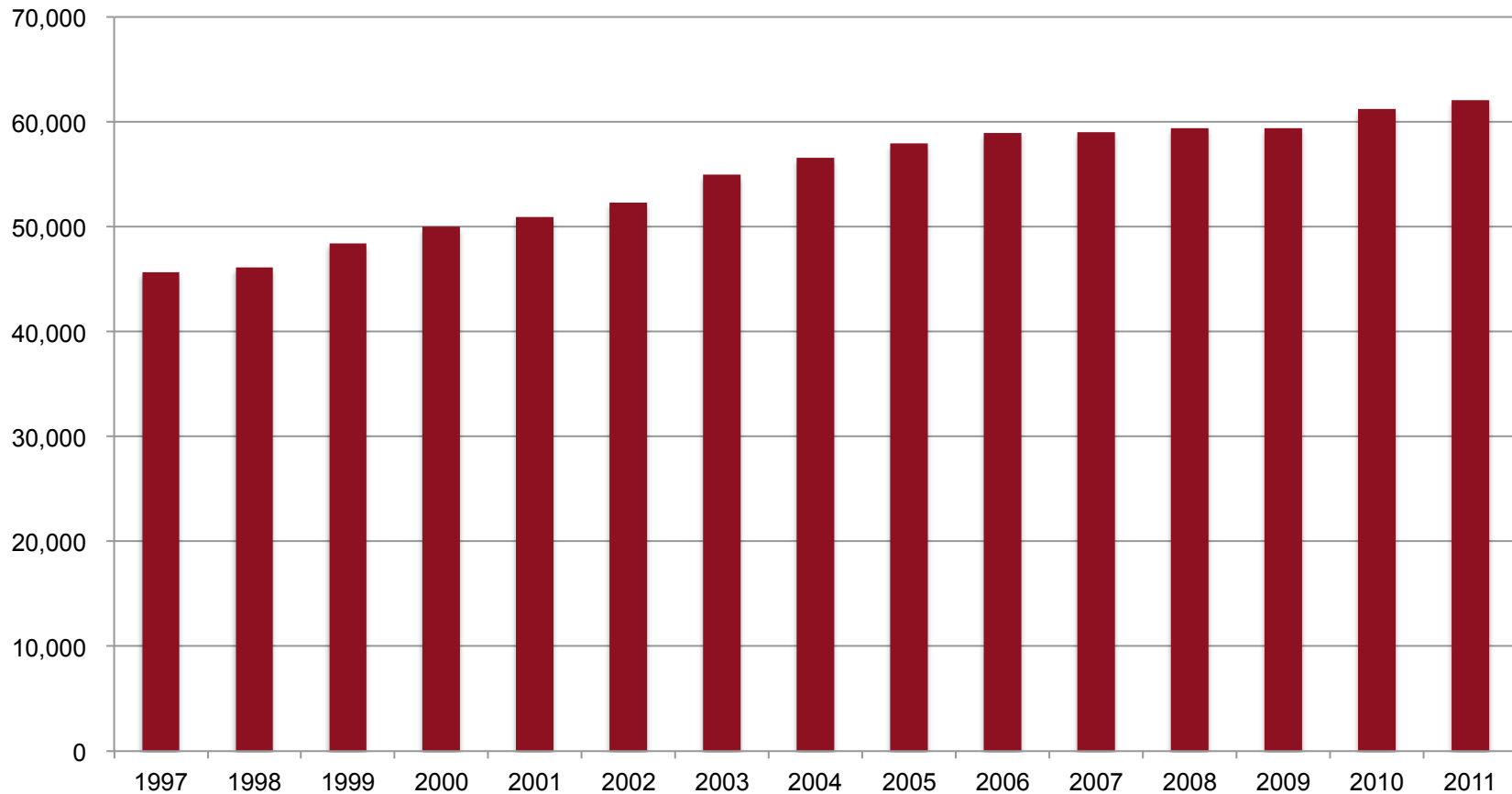


State General Fund Appropriation for the U of M as a Percentage of Total State Spending



Increased Enrollment

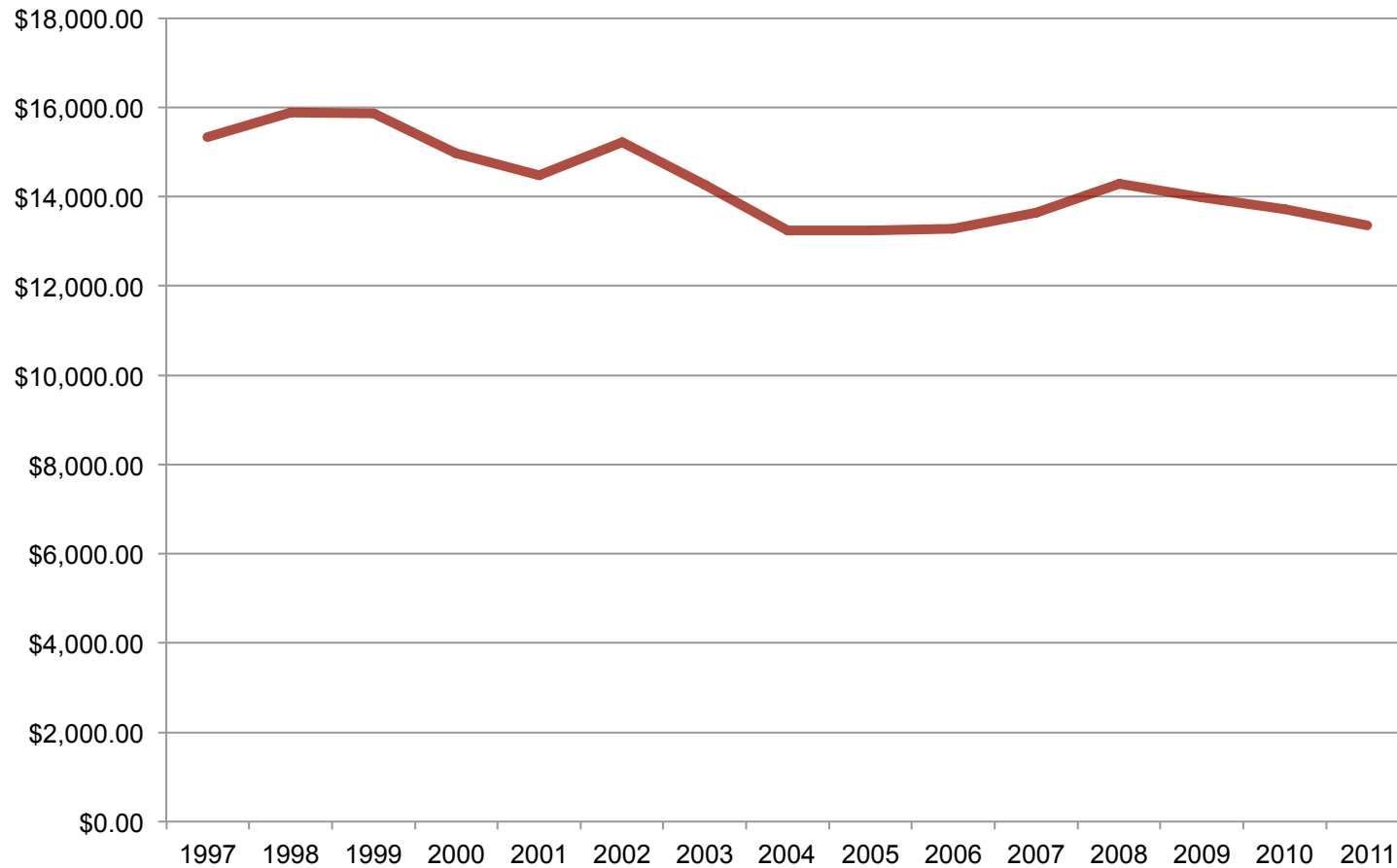
Degree-seeking students system-wide 1997-2011



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Inflation-adjusted combined revenue (state O&M plus tuition) per degree-seeking student



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Cost Drivers

- Technology
- New fields of study
- Increased focus on the undergraduate experience



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Summary

- U share of state general fund dropped from 8.3% of total state spending to 3.6%
- Tuition and state appropriations grew 22% over 14 years, student count grew 36%
- Spending per student (inflation-adjusted) *dropped* by 12% over last 14 years
- Greater efficiency → better student outcomes



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Success in Undergraduate Education

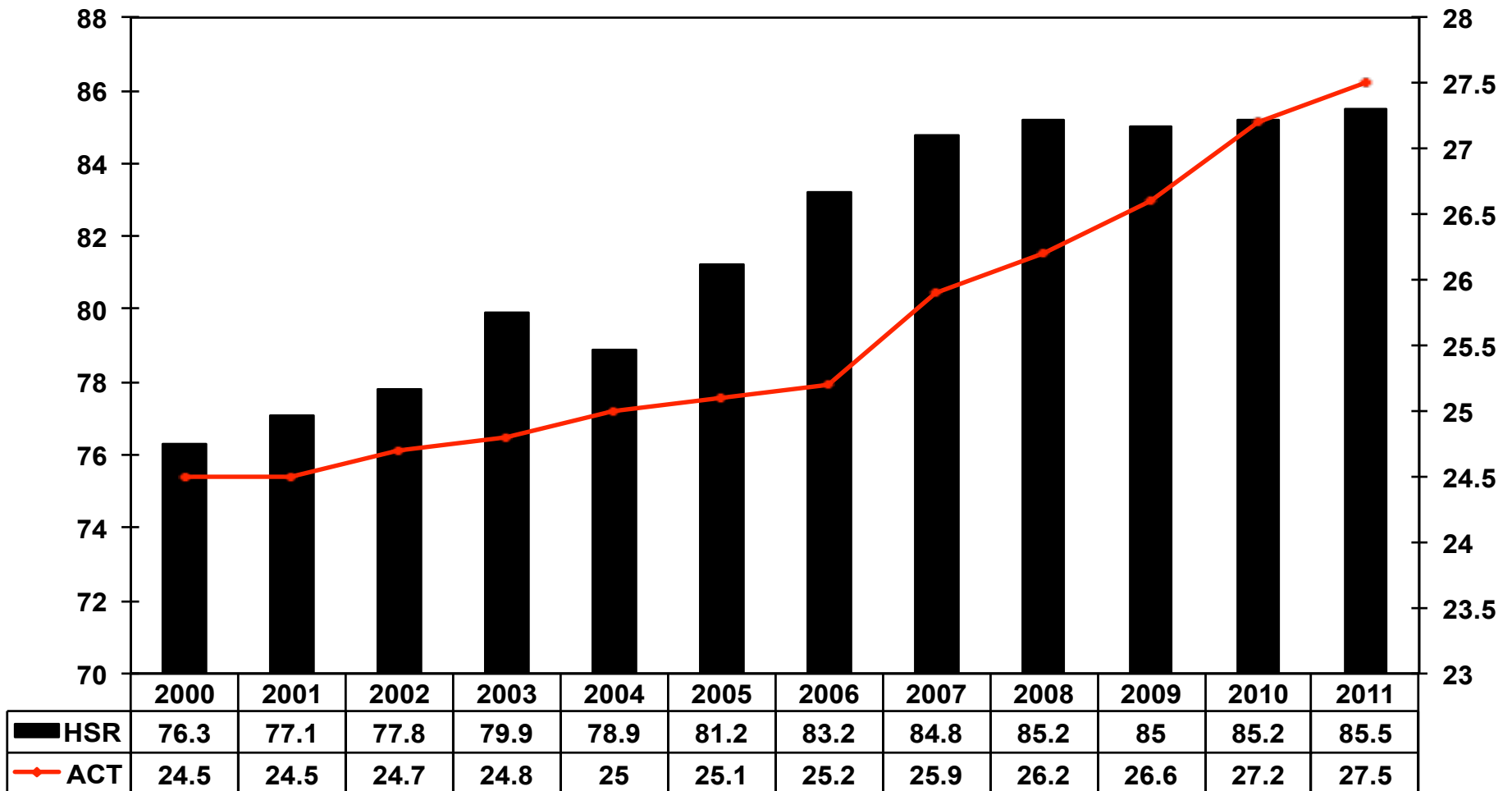


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Better Students

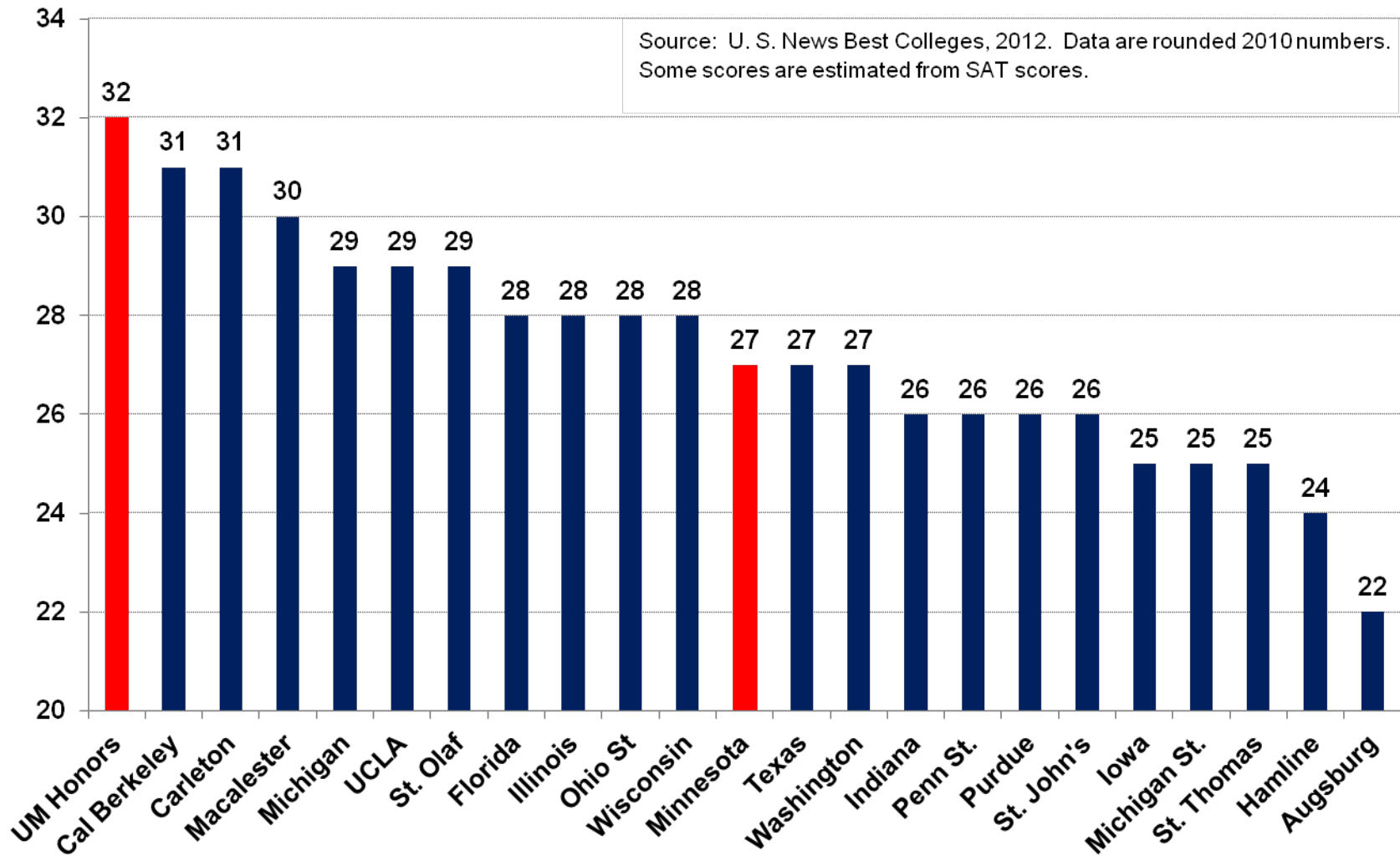
Average ACT composite and HS rank of freshmen, TC Campus



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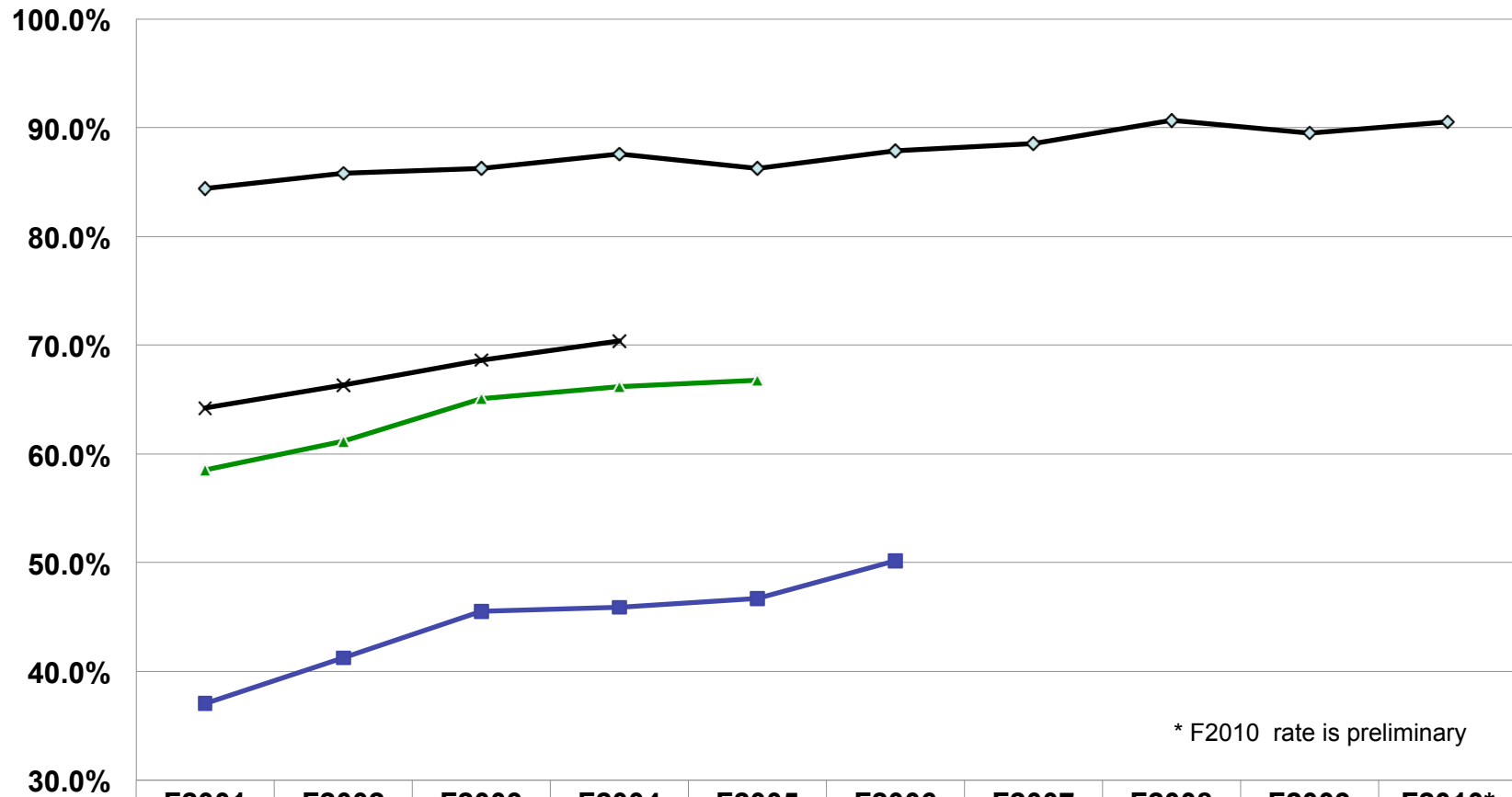
Leading Average ACT Scores



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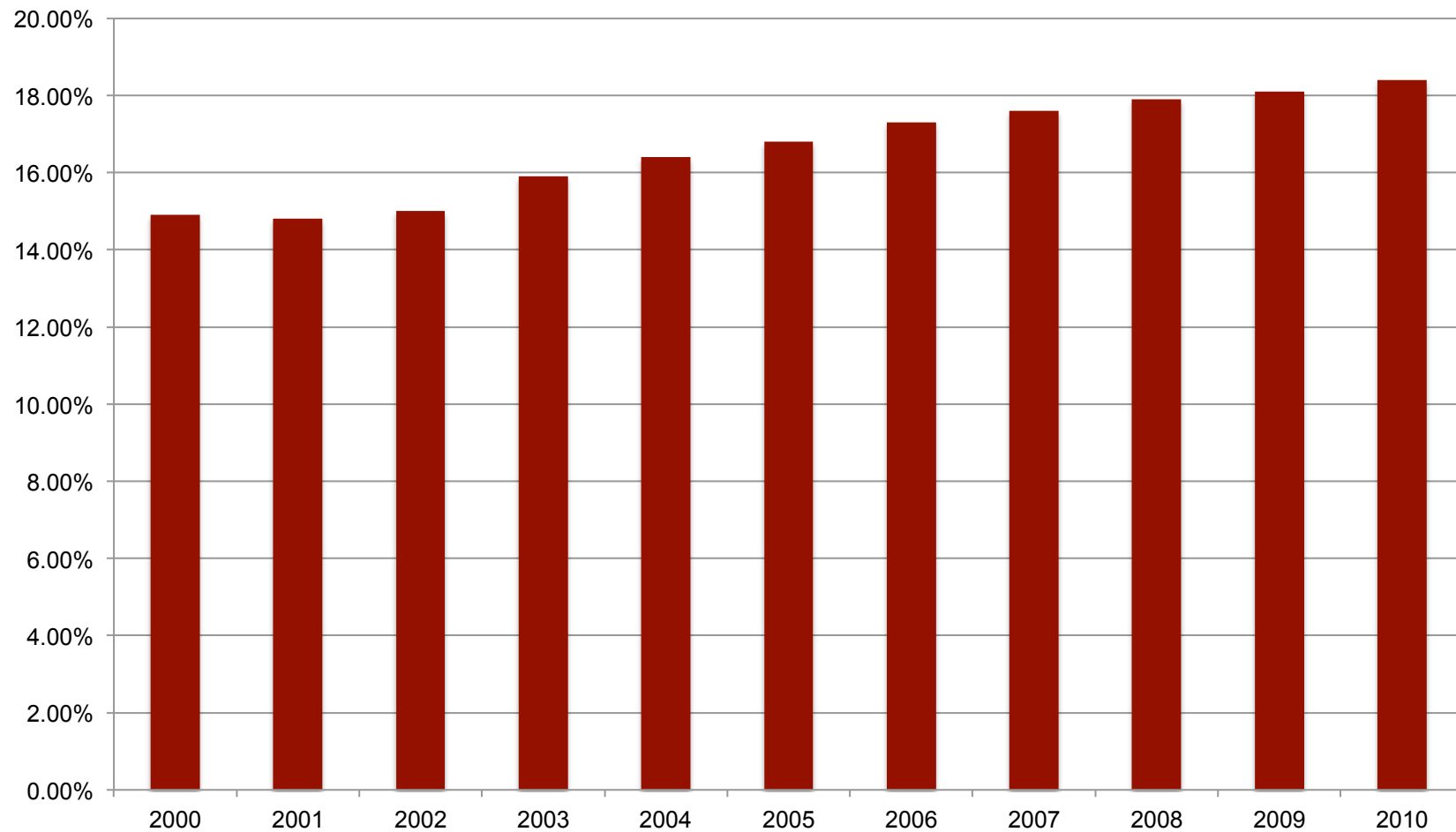
Retention and Graduation Rates by Entry Year, TC Campus



	F2001	F2002	F2003	F2004	F2005	F2006	F2007	F2008	F2009	F2010*
◆ 1 yr ret	84.4%	85.8%	86.2%	87.6%	86.2%	87.9%	88.5%	90.7%	89.5%	90.5%
■ 4 yr grad	37.0%	41.2%	45.5%	45.9%	46.7%	50.2%				
▲ 5 yr grad	58.5%	61.1%	65.1%	66.2%	66.8%					
✕ 6 yr grad	64.2%	66.3%	68.6%	70.4%						



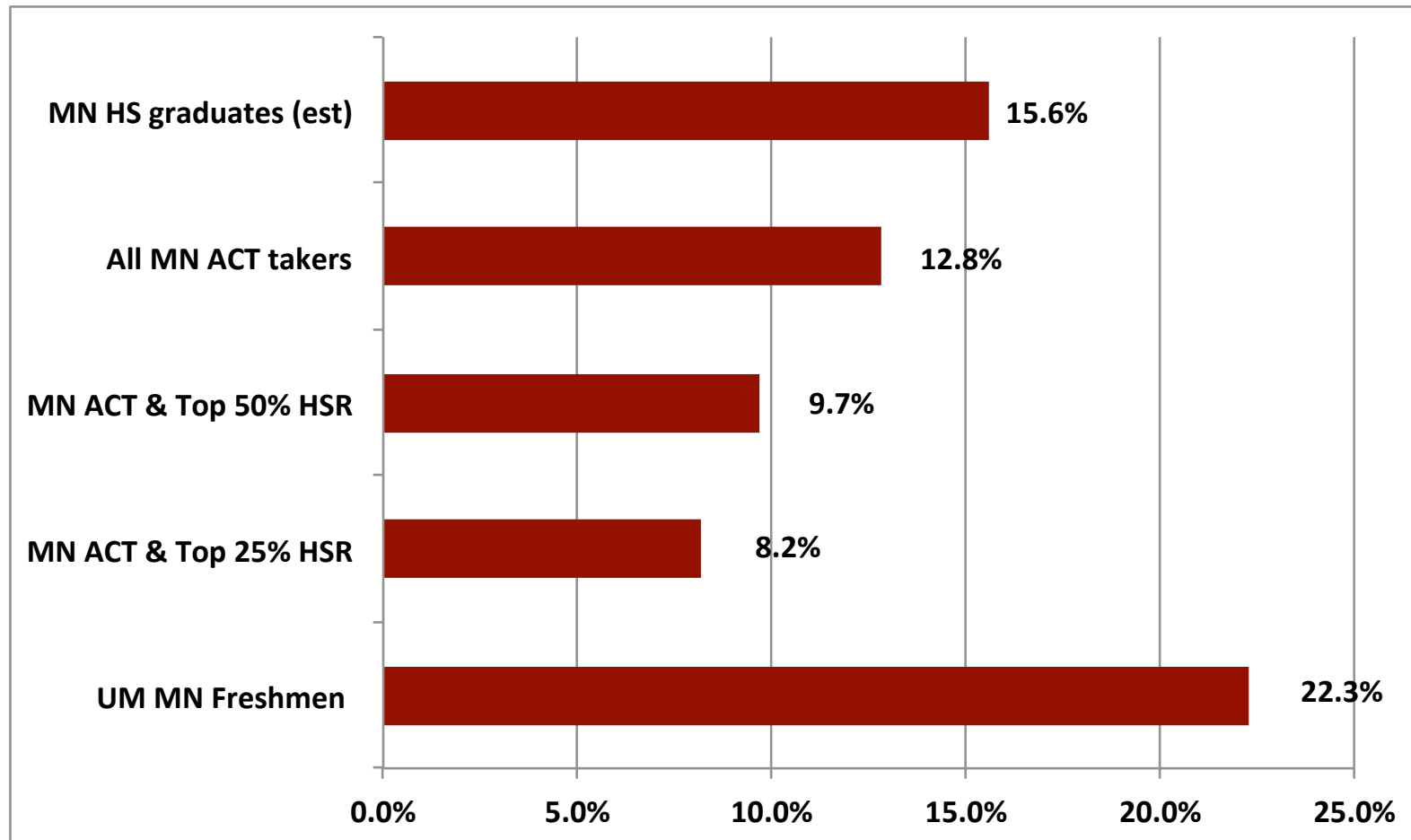
Percentage of Students of Color, TC Campus Undergraduates 2000-10



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2010 Percentage of Students of Color Among HS Graduates, ACT Takers, and U of M Freshmen from Minnesota



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Financial Aid at the University of Minnesota



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Undergraduate Financial Aid

- In FY2010, financial aid to undergraduate students across all five campuses = **\$490 million**:

Grants	\$201 million
Student employment	\$ 44 million
Loans	\$245 million

- Family income distribution for TC Campus (Minnesota resident) students:

Pell eligible	21.6%
Less than \$100K (not Pell)	19.7%
More than \$100K	58.6%



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Need-Based Aid , 2011-12

EXAMPLES: UMTC resident undergrad living on campus

Family income of \$0 to \$25,000

COA	\$23,982
minus EFC	<u>\$ 0</u>
= need	\$23,982

Family income of \$82,444 (median)

COA	\$ 23,982
minus EFC	<u>\$ 12,848</u>
= need	\$ 11,134

Family income of \$100,000

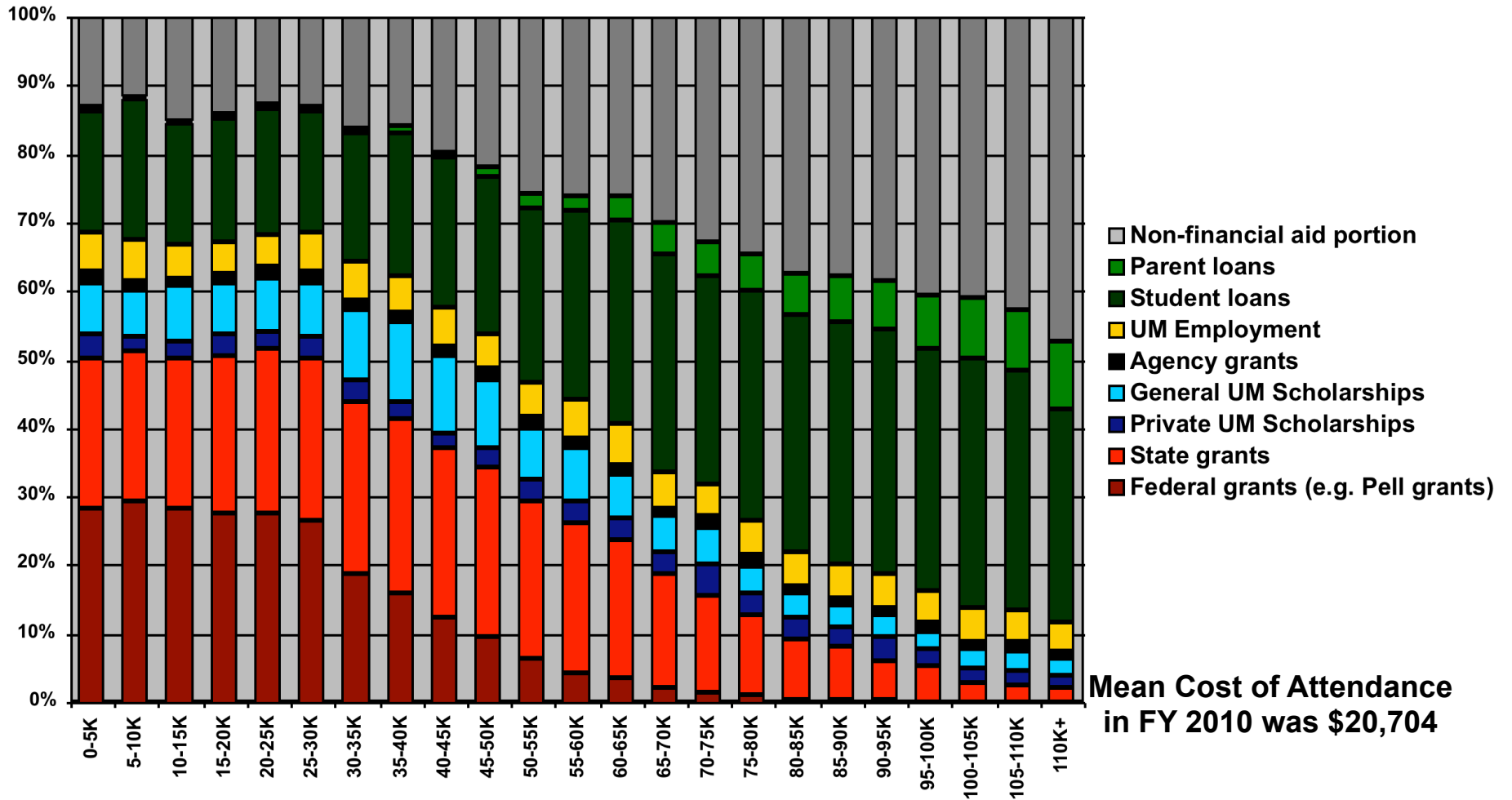
COA of	\$ 23,982
minus EFC of	<u>\$ 14,778</u>
= need	\$ 9,204



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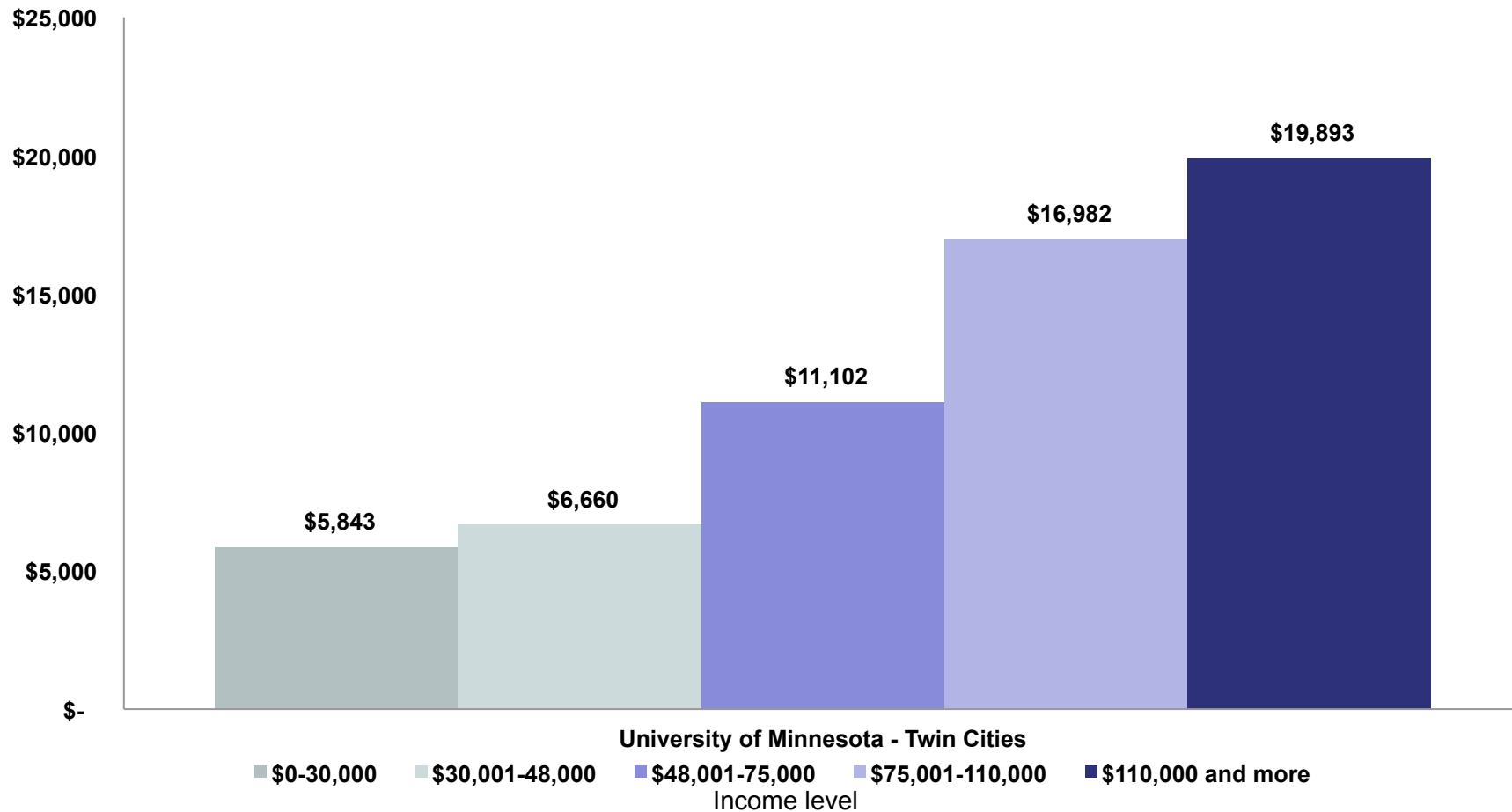
FY2010 Share of Cost of Attendance for Dependent, Resident, Undergraduate Students by Parent Income Level and Financial Aid Type



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Average Net Price for Fall 2009 Full-Time, First-Time Degree-Seeking Undergraduates Awarded Federal Grant Aid, Work Study, and/or Loan Aid (Title IV aid) by Income Level

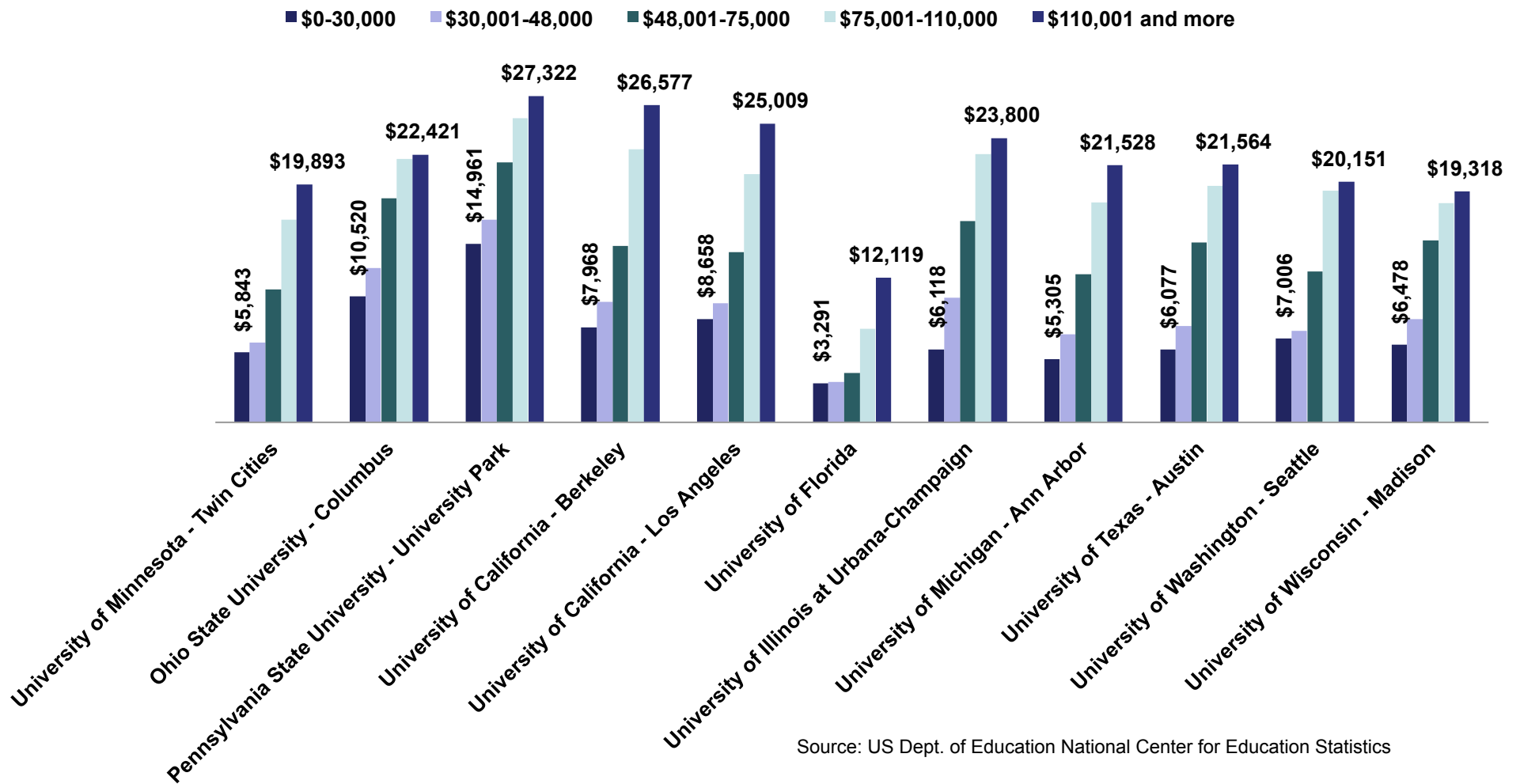


Source: US Dept. of Education National Center for Education Statistics



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Average Net Price for Fall 2009 Full-Time, First-Time Degree-Seeking Undergraduates By Income Level and Comparison Institutions (source=IPEDS) University of Minnesota-Twin Cities Peer Group



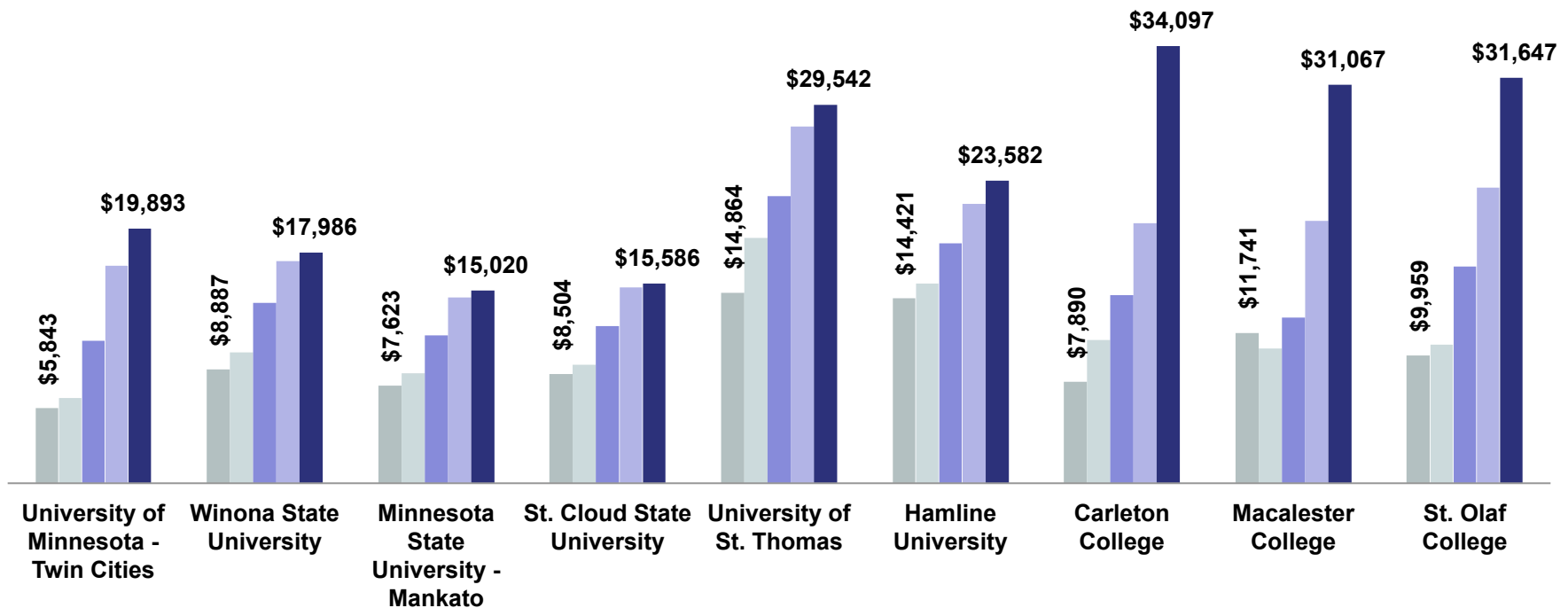
Source: US Dept. of Education National Center for Education Statistics



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Average Net Price for Fall 2009 Full-Time, First-Time Degree-Seeking Undergraduates Awarded Federal Grant Aid, Work Study, and/or Loan Aid (Title IV aid) by Income Level and Comparison Institutions

■ \$0-30,000
 ■ \$30,001-48,000
 ■ \$48,001-75,000
 ■ \$75,001-110,000
 ■ \$110,000 and more



Source: US Dept. of Education National Center for Education Statistics



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Summary

- Cost of attendance met by many sources
- U of M costs by family income level consistent with national peers and in-state institutions



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Impacts of Decreased State Investment

- Differential fees or tuition for selected programs?
 - Number of the CIC schools who do not have differential fees?
 - One, the University of Chicago
 - Every Big 10 school has differential fees or tuition for some programs



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Differential Tuition - Big 10 Examples

- Ohio State and Nebraska
 - Business and Engineering (25% above base tuition)
- Penn State
 - Business, Science & Engineering, and Nursing *upper division* students pay higher rates
- Michigan
 - *All students* in Engineering and Kinesiology
 - *Upper division* in Business, Nursing, and Music, Theater, & Dance



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Differential Tuition: U of M is at a Disadvantage

- Competitors do charge for programs with a differential cost of instruction and/or a differential starting salary
- Differential revenue critical for hiring faculty and/or program enrichment
- Our ability to compete is limited



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Current Situation

- Law School – tuition already covers educational costs, and need drives private fund-raising
- Carlson School – proposal to develop a differential cost structure



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Questions & Discussion



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