

# National Association of State Budget Officers

## SUMMARY OF REPORT ON HIGHER EDUCATION FINANCE REFORM



The National Association of State Budget Officers (NASBO) has released a report entitled, “Improving Postsecondary Education Through the Budget Process: Challenges & Opportunities.”

### The Current Way of Funding Public Higher Education is Not Sustainable

Tighter state resources, rising costs, high tuition rates and other factors make the current model of financing public higher education unsustainable. The present system may have worked well in past decades, but fiscal changes at the federal and state levels, as well as private market changes, make reform necessary.

### State Government Resources are Limited, but States Will Continue to Play an Important Role

State revenues for higher education will still be a critical source of operating support for public higher education institutions, as well as for infrastructure needs. However, stiff competition for state dollars is expected to continue and every new dollar coming into states will be wanted for health care, K-12 education and many other programs in addition to colleges and universities.

### Action by Government and Higher Education Leaders Can Improve the Status Quo

This report calls on state government and higher education officials to work together even more closely to control skyrocketing costs and to reach postsecondary attainment goals. The report encourages states and institutions to collaborate to take the following actions:



**Focus more funding on incentives to improve performance and results.** Performance funding approaches can help further align university missions with public goals. They can also improve the use of data to target investment and monitor student performance, retention, and other key outcomes.



**Limit tuition and fee increases.** Student tuition policies in public institutions should be based on a shared understanding of the appropriate role for tuition in relation to student costs and benefits, and not just on what the market will bear.



**Create incentives for expanding access.** State and higher education officials can work together to increase postsecondary access and degree attainment by strengthening need-based grant aid programs, encouraging institutions to educate and graduate low-income and at-risk students, and investing more in vocational and technical education.



**Develop useful information about higher education spending and results.** States and institutions can work toward a consensus on how to account for spending, revenues, and accountability measures in higher education, and share this information with one another and with the public.



**Increase value, productivity and efficiency.** Colleges must control rising costs through consolidation, streamlining, and leveraging technologies.

There is an urgent need to address the challenges faced by states and higher education institutions. Policy changes to higher education finance can play a critical role in improving postsecondary education results—while also putting public higher education on a sustainable fiscal path.