



INVESTING IN COLLEGE ACCESS AND SUCCESS

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Lumina Foundation Awards Grants to 11 States Seeking To Graduate More Students by Making Higher Education More Efficient and Cost Effective

INDIANAPOLIS – Dec. 16, 2008 – At a time when state economies are reeling and educators and policymakers are anticipating significant cuts to public higher education, Lumina Foundation for Education today announced grants to 11 states to help develop and implement policy changes that promote cost-saving methods of delivering high-quality education to greater numbers of students.

The 11 participating states (Arizona, California, Colorado, Indiana, Maryland, Mississippi, Montana, Ohio, Tennessee, Texas and Wisconsin) were chosen from among 37 that applied. Each state will receive an initial \$150,000, one-year grant through the Foundation's *Making Opportunity Affordable* (MOA) initiative to develop innovative strategies in key policy areas to promote sustainable improvements in productivity. The states will be eligible to compete next year for up to five, \$2 million Opportunity Grants to implement their plans over four years.

The \$45.5 million initiative seeks to advance policy innovation and change in higher education finance, management and instructional delivery to get many more students into and through postsecondary education. University systems such as Maryland's have demonstrated that finding cost savings by delivering undergraduate education more efficiently and without sacrificing quality can build confidence and support among policymakers in higher education. In return for identifying cost savings and removing obstacles to graduation, the University System of Maryland has received additional state funding that has kept tuition in check and made higher education accessible to more students.

The Foundation believes that systems and institutions that show a willingness to increase productivity are more likely to receive the additional investments of public money that will be needed for the United States to maintain an internationally competitive workforce and economy and to preserve the benefits of American society.

The United States spends about twice as much as the average industrialized country per student on higher education, not including research spending, and it is graduating students at a higher cost than other nations. The United States is now tied for 10th internationally in the

percentage of adults 25 to 34 who hold college degrees. Worse, the United States now ranks 15th among nations in the proportion of college students who start work toward degrees and actually complete them, leaving many students with piles of student loan debt and nothing to show. Meanwhile, the cost of attending college has risen more rapidly than household incomes, and the availability of financial aid has not kept up with tuition increases.

“We need to take a harder look at how public colleges are prioritizing and managing their resources. Current spending patterns are not sustainable in the face of rapid demographic shifts, rising costs on campuses, and increased competition for state budget dollars,” said Jamie Merisotis, president of Lumina Foundation. “We must find ways of increasing productivity on our nation’s campuses to raise U.S. degree-attainment rates, which have remained stagnant in recent decades. And we need to explore and invest in new models for delivering a college education, especially if these models can help the United States graduate more students who face financial and academic challenges.”

State Strategies for Productivity Enhancement and Innovation

During the initiative’s 2008-09 national “Learning Year,” governors, legislators and leaders of colleges and universities will refine and develop strategies to increase productivity and explore policy changes and innovations in three areas:

1. **Recasting state finance systems to reward institutions for graduating students, not just enrolling them.** In many states, public money appropriated to operate colleges and universities is based mostly on how many students have enrolled and how much was budgeted for the prior year, rather than on how many students actually complete courses and academic programs. **Indiana, Ohio, Tennessee and Texas** will explore innovative ways of financing college based on completion and graduation.
2. **Increasing the efficiency and cost effectiveness of academic programs and administrative operations.** Here, states and the colleges and universities they support are mostly embracing incremental approaches. What’s needed is more rapid and widespread adoption of promising cost-saving practices and a much greater willingness to scrutinize the way colleges and institutions do business. For example, **California** will study student academic progress and experiences, including attendance, credit accumulation patterns, and academic performance, to design and implement a variety of strategies to increase instructional productivity. **Colorado** will renegotiate fee-for-service contracts to include measurable productivity objectives and will accelerate efforts to re-enroll adults who have fewer than 30 credits remaining to complete work on a credential. In addition, **Mississippi** will enhance and leverage efforts to increase the efficiency and cost-effectiveness of academic programs by advancing a system-wide redesign of developmental education courses. Among other efforts, **Maryland** and **Wisconsin** will work to strengthen transitions and transfers among the state’s education institutions, as a means of better supporting underserved students.
3. **Creating or expanding new models of delivery to serve more students by targeting lower-cost institutions.** **Arizona** will build additional and more cost-effective pathways to bachelor's degree attainment and create increased institutional diversity in the degree provision system. **Montana** will promote college enrollment and degree completion in a new, networked consortium of technical and community colleges that is convenient for students who live far away from college campuses.

"Lumina Foundation's initiative allows states like Maryland to continue expanding the opportunity of higher education to more of our citizens rather than fewer," said Maryland Gov. Martin O'Malley. "During these difficult economic times, it is important that public and private sectors alike understand that the dream of a higher education remains for working families regardless of economic circumstances. Higher education should not be a privilege afforded only to those with the means to purchase it, and these funds from Lumina will help Maryland fill the gap of demand and available public resources."

"Education is the most important investment a state can make in its people," said Texas Governor Rick Perry. "Lumina Foundation's initiative will allow Texas to continue pursuing the goals of the Texas higher education plan, *Closing the Gaps by 2015*, and sustaining a Texas of opportunity and prosperity. Although Texas is doing comparatively well in these difficult economic times, we must continue pressing for a more efficient and affordable system of higher education that will prepare students for the increasingly high-tech workplace. These funds from Lumina will help our state continue pursuing better, more affordable ways to increase successful student participation in higher education."

States receiving the initial, \$150,000 grants will be eligible to apply for the larger grants next year. In the fall of 2009, Lumina will award grants of \$2 million each to as many as five states whose plans hold the greatest promise to bolster higher education productivity.

The nation's economic crisis will make the Foundation's effort more challenging and potentially more beneficial to states, which are bracing for some of the most severe cuts in general fund spending in three decades.

There are no budget surpluses available to help boost participation and degree-completion rates in higher education. "If the challenges of prior economic slowdowns have taught us anything, it's that the absence of new money can make possible change that wouldn't otherwise be possible," said Merisotis, Lumina's president.

Lumina Foundation for Education, an Indianapolis-based private foundation, strives to help people achieve their potential by expanding access to and success in education beyond high school. Through grants for research, innovation, communication and evaluation, as well as policy education and leadership development, Lumina Foundation addresses issues that affect access and educational attainment among all students, particularly underserved student groups such as minorities, first-generation college-goers, students from low-income families and working adults. The Foundation bases its mission on the belief that postsecondary education remains one of the most beneficial investments that individuals can make in themselves and that a society can make in its people.