

**Remarks**  
**Gary Steinke, President**  
**Iowa Association of Independent Colleges and Universities**  
**To the**  
**Iowa Senate**  
**Education Appropriations Subcommittee**  
**February 17, 2015**

Thank you for the opportunity to meet with you today.

It's my privilege to have been involved in higher education public policy in Iowa for the past twenty years, as Assistant to the President for governmental relations for Iowa State University, as Executive Director of the Board of Regents and now as President of the Iowa Association of Independent Colleges and Universities. The generosity <sup>of the IAS</sup> with appropriations and policy considerations has made Iowa's entire higher education system the envy of most other states. Iowa students are fortunate to have such great quality choices at our Regent Universities, the Community Colleges and our private colleges and universities.

It's been my experience that, except for game days, our state has always taken a high road when it comes to relations between the various higher education sectors and institutions. That collegiality is more than just good manners. It is absolutely vital if our highest purpose is to serve the best interests of both students and taxpayers, and it is my intent to focus on students and taxpayers in my remarks today.

The reason you've asked me and my colleagues here today is because of concerns that you, and other Iowans have, that the productive collegiality we've worked so

hard to maintain over the years may be damaged by a policy decision made by the Board of Regents to adopt an enrollment-based performance funding formula, to the detriment of students and taxpayers.

That fear has been realized in the recent events involving the University of Iowa and AIB College of Business.

The manner in which the students of AIB have been treated has been shameful and I believe is directly linked to the funding formula. During their news conference some weeks ago, the President of the University of Iowa, sitting next to the President of the Board of Regents, was eager to say that the AIB students would be counted as Iowa students for purposes of the formula. These students were placed, without warning, into a state of uncertainty, which continues to this day. No guidance was offered them and they were given no clear answers to legitimate questions about their academic future and their needs. The only question for which there was a definite answer was that the students would be counted as University of Iowa students for purposes of the enrollment-based funding formula. Ten days later, President Mason informed the Board of Regents that would not be the case.

In short, the students were treated as numbers. When Regent McKibben last week described the process as having put the cart before the horse, I think he was being generous in his assessment of this debacle.

The rush to full fill the  
MAGIC Mathematical Funding model hurt hundreds of  
students & their families

Our institutions work hard every day to make their case to students and their parents and find those students for whom our institutions are the best fit academically and socially. Our sector has been doing this since 1839.

What we never do is adopt arbitrary formulas or parameters for a certain percentage of in state or out of state students. Our first and most critical consideration is always students as individuals. Everything else must follow from that first principle, that is, student outcomes first. I don't believe student outcomes are the motivating principle behind the Regents funding formula.

During its work developing this formula, the Regents study committee heard a presentation from Iowa State University researchers on Performance Based Funding formulas and one of the slides, which is on the Board of Regents website, made the following statement:

“Despite recent attention, there is not compelling evidence of the link between Performance Based Funding and improved student outcomes at this time.”

I'm going to pass out a copy of that slide, and I think it bears repeating:

“Despite recent attention, there is not compelling evidence of the link between Performance Based Funding and improved student outcomes at this time.”

If experience shows the funding formula does not improve student outcomes, why would the Board of Regents pursue it?

Another presentation was made to the Committee by a representative of the Tennessee Higher Education Commission. Tennessee has been experimenting with performance based funding for longer than any other state. Their representative reported that, in 2010, Tennessee discontinued its enrollment-based model. Enrollment, as you can read on a copy of the slide, "simply no longer factors in Tennessee higher education state funding." As you're aware, the majority of the weighting in the Iowa Regents funding formula, 60 percent in fact, is tied to enrollment.

I would also share with you a finding from a 2011 Columbia University study that indicates many states which had begun experiments with performance based funding have since abandoned those efforts.

Apart from student outcomes, every taxpayer in Iowa has a reason to be interested in the impact of the formula. If the formula results in a smaller percentage of Iowa students attending Iowa's private, non-profit colleges and universities, that's a bad outcome from a taxpayers' point of view. Here's why I say that.

*The most recent data shows*

~~2012~~, our three Regent universities produced 15,546 bachelors, masters and doctorate degrees. That same year, Iowa's private, non-profit colleges produced

14,165. So, a nearly equal number of degrees. That same year, the state appropriation for general operations for the Regents was \$491 million while the state funding for financial aid for needy Iowa students, the Iowa Tuition Grant, was \$48 million. Keeping in mind there is zero state funding to the private college sector for operations of any kind, dividing the appropriation by the number of degrees shows that state spending per degree at the Regents universities was \$31,611 per degree while at the private colleges and universities it was \$3,435 per degree.

So, on a simple input-output basis, state spending per degree is one-tenth the cost at the private institutions. Taxpayers have a legitimate concern about a formula that may herd students toward the option that costs the state 10 times the funding.

Now, some might object that private college is not a realistic choice for Iowa students whose families are not rich. In fact, in 2013, there were 4,138 more financially needy students receiving Pell grants at Iowa's private, non-profit colleges than at the three Regents universities combined. The percentage of Pell recipients at private, non-profit colleges in Iowa that year was just short of 32 percent of total enrollment compared to 18 percent at the Regents universities. And, that same year, Iowa private, non-profit colleges and universities generated \$448 million in non-loan, institutional financial aid while at the Regents, the total was \$142 million, more than \$300 million less than the private institutions. Again, why would the

taxpayers be well-served by a formula that could direct students away from the institutions that provide more financial aid and cost the state far less in tax funding?

I want to return to the issue of collegiality and the risk of a so-called “arms race” between the various sectors of higher education. That term is not my term. You’ll find it on the Regents website on page 14 of the June 4, 2014 docket item, which recommends approval of the formula. There it is stated that shifting too heavily toward enrollment as a basis for the formula, could, quote, “spur an arms race among the public universities, and between the public universities and other higher education alternatives in Iowa, that wouldn’t be healthy for the Iowa higher education system overall, and again, may not produce any greater number of degreed Iowans.” Obviously, the Board of Regents was well aware and well informed of the outcome of this policy.

Prior to adopting the formula, the Regents Task Force did not schedule any presentations or collegial interactions with Iowa community colleges or private colleges to have a serious discussion about a potential arms race. They did schedule presentations by a series of consultants from Virginia, from Washington, D.C., and from Tennessee, but brought in no one from any of Iowa’s fifteen community colleges or from any of our more than two-dozen member institutions.

The President of the Board of Regents said on Iowa Press not long ago that the student population being targeted by the formula are those Iowa students who leave the state to go to college. Presumably this also is to avoid a so-called “arms race”

that simply shuffles the same Iowa students around from UNI or ISU or the community colleges or private colleges to the University of Iowa. I've looked at recent data from the U.S Department of Education and it shows 86% of all students from Iowa who are going to college are already going to college right here in Iowa. Only a handful of states have higher percentages than that. If that very small percentage of migrating students are the targets, then are the expanded financial aid packages being offered by the University of Iowa specifically targeted at those students who would otherwise leave the state? Does the Board or the University even have a way to know who those students are while they're still in high school? Are the television ads the University has been running targeted at those particular students? I looked through the materials on the Regents website that were presented to their study committee and I didn't see any information that shows that out-migrating students are the target of the formula.

So has the Regents formula started an arms race? I have heard, anecdotally, from a number of admissions staff at our member institutions, that there has been a significant increase in the number of early commitment letters sent to Iowa applicants, a significant increase in offers of financial aid, and a lowering of the ACT threshold scores of students who have been offered financial aid. Again, I have only anecdotes, but I expect the University of Iowa would be able to provide information about any change in spending on student financial aid packages compared to a year ago, any changes in academic thresholds, and the source of any increased spending in this area.

To conclude:

It appears likely to me the enrollment-based formula will result in higher cost to taxpayers if it results in shifting students from private colleges or community colleges toward the Regents universities which require the highest level of tax funding per student.

More important than that, it does not appear to me that the Regent formula is likely to result in improved student outcomes and it does not appear that is even the goal. The sad experience of students involved in the University of Iowa-AIB debacle bears this out. Our students are not numbers or units that can simply be herded around from one institution to another to make a mathematical formula come out evenly. They deserve to be treated as individuals.