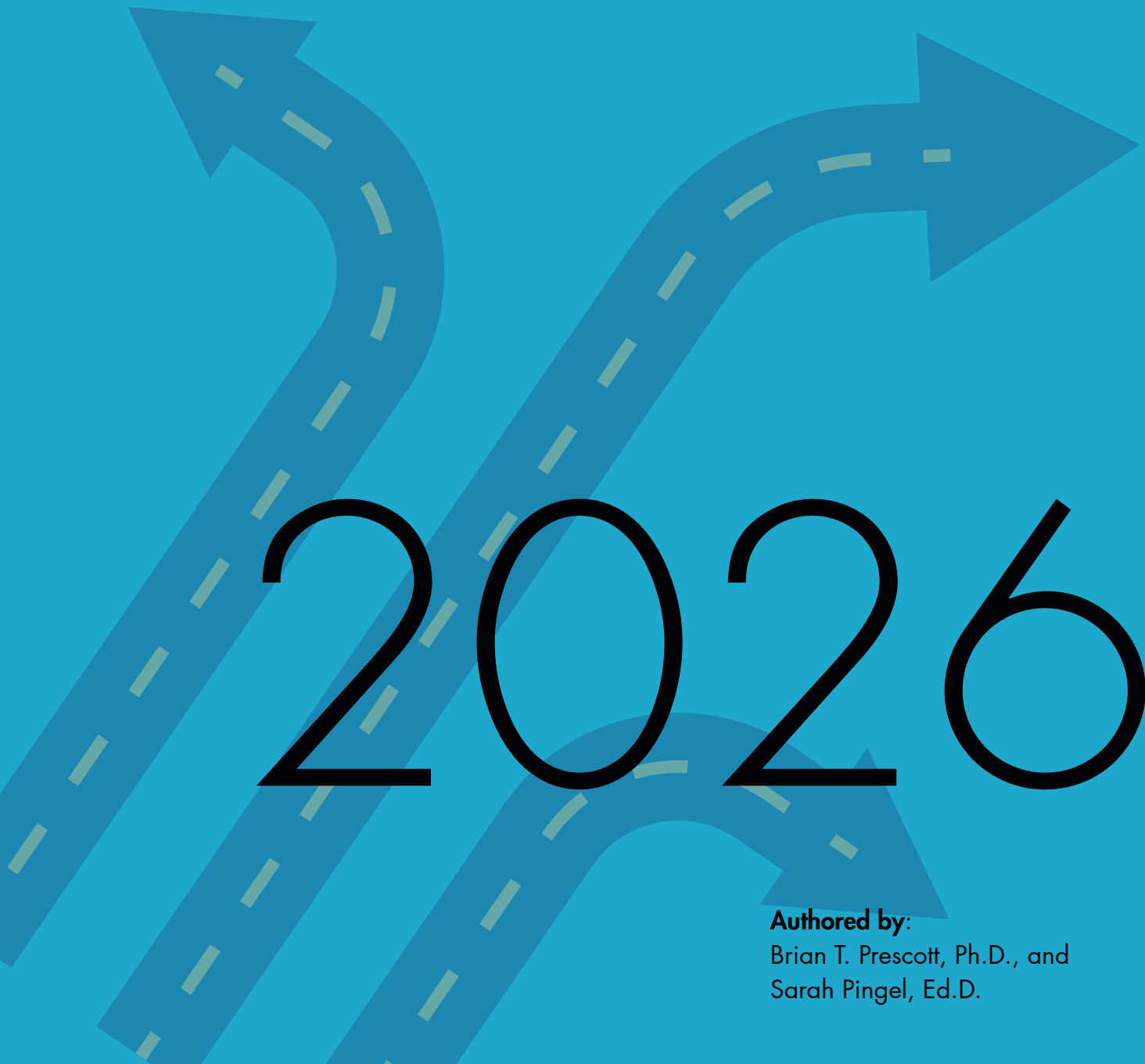
NCHEMS

Chasing Revenue, Losing Focus: The Financial Stakes of Mission Drift



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Acknowledgments and Table of Contents

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Introduction

Recent shifts in enrollment at public postsecondary institutions indicate growing instability and weakness in the industry, particularly among public comprehensive institutions[1]. During the thirty years of growth in enrollment demand that started in the early 1990s, student enrollment demand supported growth in institutional roles and missions. Many institutions responded to these incentives by expanding campuses, adding programs, and enhancing services. In that environment, the degrees of freedom for institutional action were broad. Crucially, competition over student enrollments had little downside. Selective public institutions could reach new levels of reputational prestige by driving admissions rates down even as they fielded more applications from the expanding demand. Other public institutions simply grew to accommodate the flow of students, as their missions obligated and as stakeholders expected them to do. Even if not all institutions prospered in this era, there was not a zero-sum game at play; one institution's recruitment successes came at the expense of another's more often in terms of the desirable characteristics of the student body profiles they sought to assemble, not usually in relation to their respective financial bottom lines.

Today, the stakes are much higher for public higher education institutions and for the states that coordinate or govern their actions. Demographic decline and associated fiscal weakness, skepticism about the return on investment in higher education, and falling college-going rates are combining to stress public institutions of all kinds. In these new circumstances, higher education is finding that the old habits die hard. One of the most pernicious among them is the failure to recognize that competition in higher education is not guaranteed to lead to lower costs, greater efficiencies, more innovation, or better outcomes as we have come to expect it to do. And when enrollment demand among the core audience of traditionally aged students stagnates, the resulting intensified competition among institutions can put state priorities at risk, create unsustainable costs, and worsen persistent gaps in access to educational and economic opportunities.

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[1] Prescott, B.T. & Pingel, S. (2026) From Drift to Direction: Mission Differentiation in an Era of Demographic Change. Boulder, CO: NCHEMS; Torres Lugo, S. & Pingel, S. (2024) "Dueling Institutions: Intentionally Supporting Public Research and Regional Universities Amid Declining Enrollment," *Change: The Magazine of Higher Learning* 56(4), 31-37; Prescott, B.T. (2019) "Predicaments of Public Institutions in Rural Settings," *Change: The Magazine of Higher Learning* 51(4), 29-33.

The first paper in this series argued that as these changes unfold, state higher education leaders should be prepared to support institutions in carrying out their public missions. This support can include exercising their authority to ensure the continued vitality of their institutions and to shape how available educational assets are deployed in response to state needs. In particular, state higher education agencies and systems can become more deliberate and disciplined about the core missions each public institution pursues to more effectively leverage the network of state assets that those institutions represent. Such a stance better positions this network to meet state and local needs as a collective, with each institution capitalizing on its respective (and relative) strengths and avoiding costly investments in activities that contribute little or nothing to state goals or to meeting stakeholder needs.

This paper builds on that argument by taking a closer look at the financial aspects of mission differentiation. It first considers the divergent revenue profiles of institutions of different types before highlighting their relative costs and contributions to state educational attainment goals. We find that how states organize, structure, and support their public institutions affects costs for both states themselves and students.

Bearing in mind that public institutions exist to serve the public interest but do so in distinct ways, the paper calls on state higher education leaders to consider the relative costs and contributions of the different roles institutions play in meeting state and regional needs. States risk contributing to rising costs for themselves and for students if they fail to impose more order on the way higher education operates in a declining market. This is particularly true if states do not act to counter institutional impulses to grow, in part by competing relentlessly with one another. States would be better served if they established policies and funding mechanisms that provide institutions with sufficient funds to fulfill their specific and differentiated missions and incentivize them to adopt more collaborative strategies, in full view of state and local needs. Fundamental to this construct is clarity of institutional missions—not just the abstractions that characterize most mission statements, but the specification of the audiences to be served and the programs offered—and the willingness to enforce adherence to those missions.

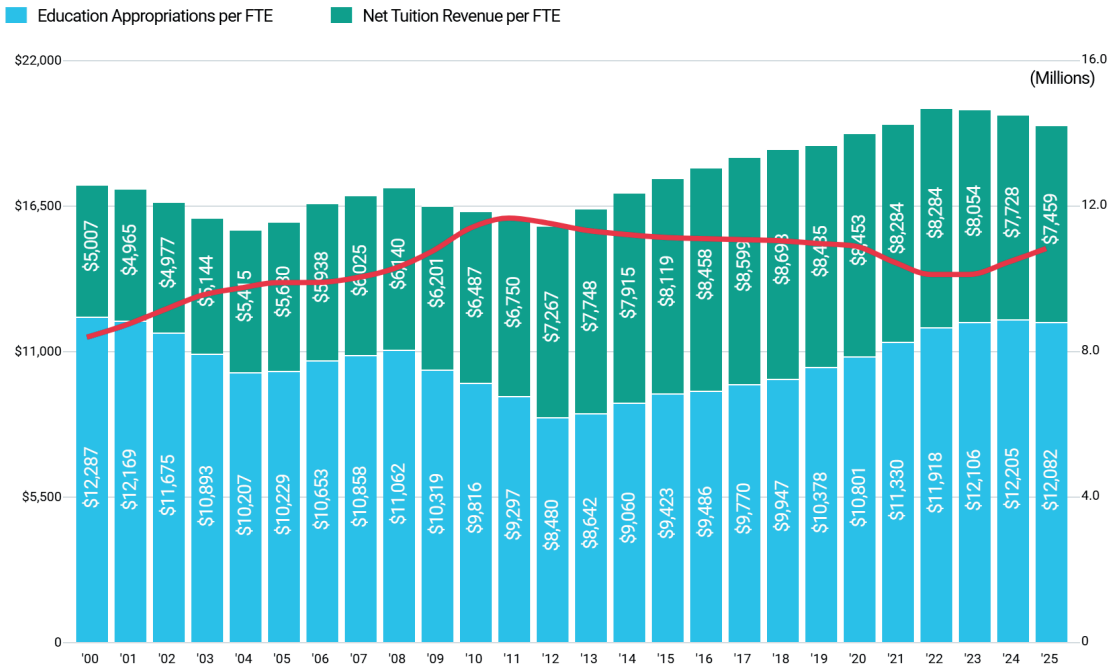
The sections of the paper that follow address different financial realities that policymakers and educational leaders must consider when shaping institutional missions to align institutional capacities with the needs of students and the state. The discussion begins by raising questions about whether public institutions can continue to make up for shortfalls in state funding with tuition revenue, especially among those that disproportionately serve the

most vulnerable students and communities. Next, it wrestles with the ways that institutions' efforts to meet their revenue requirements can cloud mission discipline. The paper then offers a brief data analysis about the relative costs and contributions to state attainment goals of the different public postsecondary sectors before addressing the importance of recognizing how variation in mission drives variation in costs. Finally, the paper concludes with the observation that the costs of higher education—for taxpayers and students—are at least partially dependent on states' ability to establish and enforce mission clarity for their public institutions. Though this has always been true, what makes it so vital to recognize and adapt are the conditions that will stress higher education in the years ahead.

Limits on Pricing Power

Higher education has become the "balance wheel" for state budgets, generally seeing increases in state investment when state revenues are robust but getting a disproportionate share of budget cuts in recessionary periods as states focus resources on other obligations like health care, corrections, and K-12 education[2]. This has yielded a wave-like pattern in educational revenue over the past several decades (Figure 1).

Figure 1: Enrollment and Educational Revenue per FTE, U.S.



Source: SHEEO, SHEF.

[2] Delaney, J.A. & Doyle, W.R. (2011) "State Spending on Higher Education: Testing the Balance Wheel Over Time." Journal of Education Finance 36(4), 343-368.

Notably, educational revenue at public higher education institutions peaked in FY22, due to the infusion of federal stimulus funding concurrent with a decline in total enrollments during the pandemic. At that point, public institutions were better funded than at any point in recorded history. In these best of times, there were serious concerns about the longer-term effects of the pandemic on institutional operations, amplified by increasingly cogent questions about higher education's value, demographic conditions, and sustainability. As stimulus funding ran out and enrollments have crept back up, total funding per student has fallen from that high-water mark. These conditions have forced operational retrenchments, even in the most well-funded institutions.

Since total funding for public institutions peaked, both appropriations levels and net tuition revenue have trended downward. This pattern calls into question a central tenet of the balance wheel phenomenon—namely, that state investments in public institutions can be reduced when state spending capacity is low, because institutions can offset diminished state funding with increased tuition revenues.

Two factors complicate institutions' ability to make up losses in state funding with tuition revenue. First, the overall decline in the number of high school graduates and in their propensity to enroll in postsecondary education limits the number of traditional-age students institutions can enroll. Second, institutions are encountering real limits on how much revenue they can realize from increasing tuition prices. Lack of transparency in pricing is compromising trust among students and impacting their perception of higher education broadly[3]. Tuition discounting practices are becoming increasingly prominent among public institutions as a device for recruiting students. Net prices (cost of attendance minus all grants) have risen much more slowly than published prices for at least two decades at both public two-and four-year institutions, and have actually held steady or are falling in both sectors since about 2015-16 (Figure 2). The need to discount tuition prices will likely become even more common as shifts in the financial resources available to potential student populations take hold, driven in part by the concentration of wealth within a smaller segment of the population and by relatively lower levels of income among growing subpopulations[4]. These factors limit institutions' ability to increase revenues through increases in prices.

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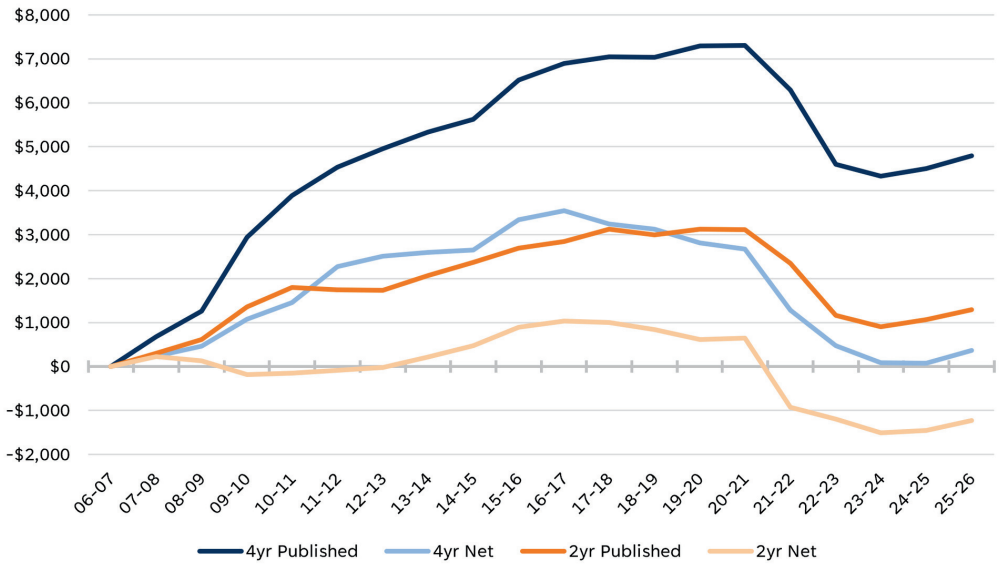
[3] The Price Transparency Imperative: Rebuilding Confidence in Higher Education, Strada.

[4] Board of Governors of the Federal Reserve System. Distributional Financial Accounts. https://www.federalreserve.gov/releases/z1/dataviz/dfa/;Pew Research Center (2015). The American Middle Class is Losing Ground.

Figure 2: Change in Average Published and Net Cost of Attendance, by Sector



Notes: Data are for first-time, full-time, in-state/in-district undergraduate students. Averages are enrollment-weighted.
Source: College Board (2025). Trends in College Pricing.

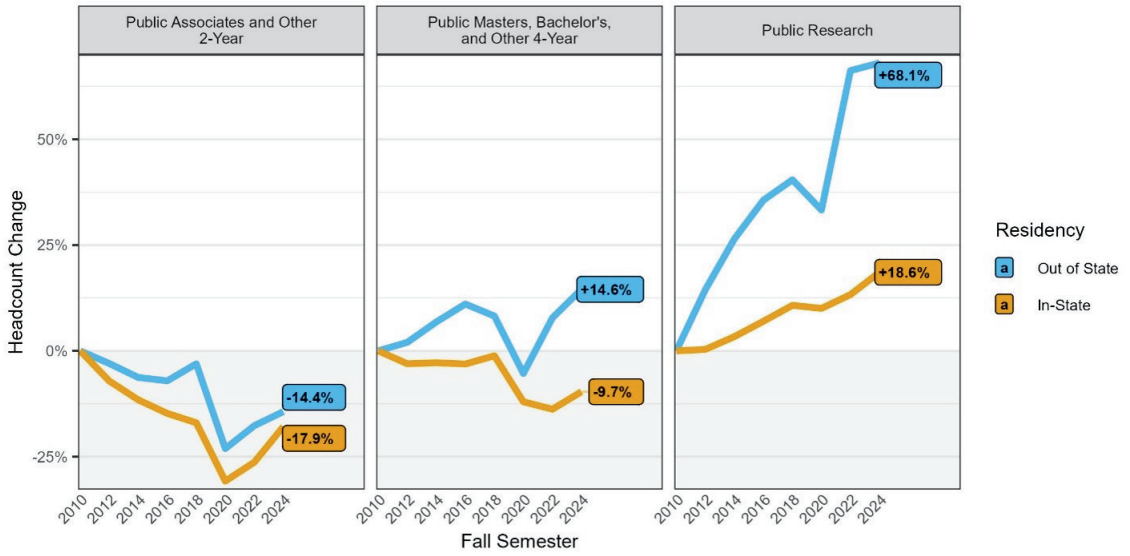
Chasing Revenue Has Consequences

As the need to shore up revenue streams through student recruitment grows more urgent, intensifying competition among institutions risks sacrificing state priorities and coherent institutional roles in the chase for revenue. This chase has given significant impetus to new initiatives that push the boundaries of an institution's historic role and mission: increased recruitment of non-resident students, the addition of new academic programs, the creation or expansion of new services such as dual enrollment and short-term credentials, and the expansion of athletics programs.

More institutions are seeking to enhance revenue streams by recruiting out-of-state and international students who pay higher tuition to attend the institution. As shown in Figure 3, public institutions nationally have seen their enrollment of non-resident students grow. At public research universities, enrollments of both residents and non-residents have grown substantially. In contrast, in the public comprehensive sector, an increase among non-resident enrollments has offset declines in resident enrollment. In 2024, the share of

non-residents in the undergraduate student body at public comprehensive universities approximated the rate at which public research universities enrolled non-residents in 2010.

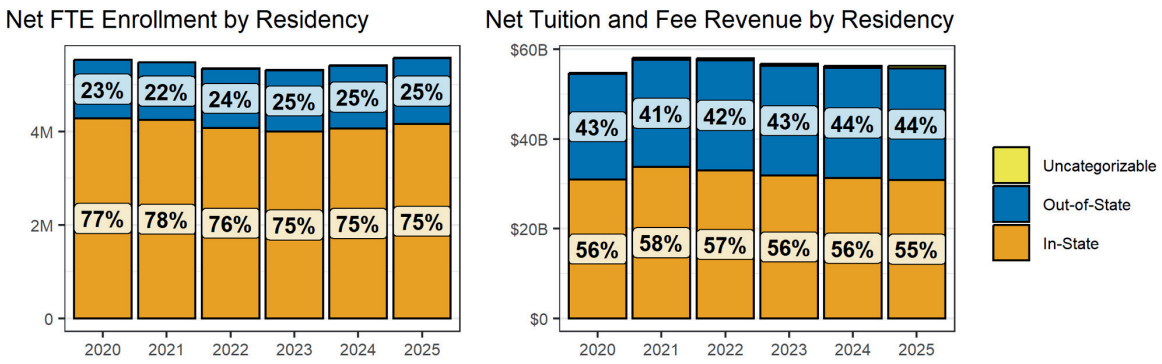
Figure 3: Cumulative Percent Change from 2010 in Resident and Non-Resident First-Time Undergraduates, by Sector



Source: NCES IPEDS Fall Enrollment Survey files efYYYYc. 2010-2022 final release files; 2024 provisional release, even years only. Includes First-time degree/certificate-seeking undergraduate students with a known residence only. Excludes Public Less than 2-Year institutions.

Enrolling non-residents does pay off in terms of revenue. Non-residents in the public four-year sector make up about a quarter of all enrollments, but contribute nearly half of the tuition revenue (Figure 4).

Figure 4: Enrollment and Net Tuition and Fee Revenue by Residency



Source: State Higher Education Executive Officers Association. (2026) State Higher Education Finance: FY 2025. Note: Only includes public 4-year institutions. Values exclude MA, MD, MI, NY, OR, PA, TX in one or more years due to missing data. Some other states' values are estimates. Revenue is inflation-adjusted to 2025 dollars using HECA.

For both sectors, but particularly for the public comprehensive institutions that have historically not been expected to attract top talent from other states, these shifts are significant recalibrations of their respective missions. Because non-residents can offer a substantial boost to revenue generation, it is fair to ask whether growth in outreach to non-residents is the product of a strategic decision to address state affordability, attainment, or workforce goals, or if that growth is strictly the product of a business decision that does not consistently align with state needs. A key consideration is the extent to which out-of-state students stay in-state after graduation and contribute to the state's labor pool.

A third strategy being employed by institutions seeking new revenue streams is through adding programs that push the limits of those missions. Public institutions are increasingly competing for students through the development or expansion of services that encroach on one another's traditional missions. For example, four-year institutions are aggressively seeking to capture a share of the dual-enrollment market, even as public two-year institutions remain by far the largest providers[5]. This is notable given that the evidence suggests that community colleges typically lose money on their dual enrollment offerings and yet their cost structures are generally much less expensive than those of four-year institutions[6]. Further blurring the lines, there are examples of regional comprehensive universities seeking to significantly expand their research activity, which may require the assembly of expensive new administrative apparatus already well established at their public research counterparts[7].

In addition, the pressure to add short-term credentials to institutions' program arrays is increasing. Both two- and four-year institutions are working to respond to this interest. That many of them are being built in the non-credit space reflects a desire for nimbleness and flexibility in institutional responses to employer interest and other market signals (including revenue projections). Still, it also makes it difficult for the state to monitor activity. Although imposing state oversight of this growing activity risks undermining that flexibility, the state's responsibility to optimize its investments among its institutions likely demands some high-level assessment of how these programs fit assigned institutional missions.

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[5] Fink, J. (2005). High School Dual Enrollment Grows to 2.8 Million. Community College Research Center. Retrieved July 22, 2026.

[6] Belfield, C., Jenkins, D., & Fink, J. (2023). How Can Community Colleges Afford to Offer Dual Enrollment College Courses to High School Students at a Discount? CCRC Working Paper #130. New York: Community College Resource Center.

[7] New York Institute of Technology. (2025). Charting a Path to R2 Status. https://www.nyit.edu/news/articles/charting-a-path-to-r2-research-status/; Chicago State University (n.d.) Carnegie R2 Classification Status. https://www.csu.edu/grantsresearch/status.htm

Finally, athletics has long been an element of institutions' recruitment strategies, especially given empirical evidence that athletic success can boost applications[8]. Recent years have seen a major expansion in athletics investments. At the highest levels, conference realignment motivated by an intense hunt for television revenue has created political blowback for the institutions involved, and new and shifting rules allowing payments to athletes have created an entirely new category of expenditures. Even with major infusions of athletics-related revenue, most big-time athletics programs consistently post deficits[9]. Meanwhile, smaller institutions that compete at lower levels (including in Division III where there are no athletic scholarships) are also relying on athletic teams to appeal to students, though actual results are mixed. Even on campuses where new or expanded investments in athletics have helped attract students, there is little clear evidence that the marginal tuition and fees revenues paid by these students more than offset the marginal costs of operating the sports programs[10]. Accordingly, the role of athletics in recruitment and as an item on the institutional budget can twist institutional missions and drive financial decision-making in ways that may not serve the needs of the state or the broader body of students[11].

Costs and Contributions to State Educational Attainment Goals

As state leaders reflect on the consolidation of enrollments at public research universities described in the first paper in this series, with (in most states) declines in the other postsecondary sectors, it should not be lost that these patterns have significant implications for public finance. Unsurprisingly, the costs associated with supporting the missions of research universities lead inevitably to substantially greater costs per student than are

[8] [1] Anderson, M.L. (2017). "The Benefits of College Athletic Success: An Application of the Propensity Score Design, " The Review of Economics and Statistics 99(1); Pope, D.G. & Pope, J.C. (2009) "The Impact of College Sports Success on the Quantity and Quality of Student Applications," Southern Economic Journal.
[9] Government Accountability Office (2026). College Athletics: Most Programs Spend More Than They Generate in Revenue. GAO-26-108640. https://www.gao.gov/assets/gao-26-108640.pdf.
[10] Cook, B.J. & Colin, E. (2025). Do Investments in Athletics Lead to Enrollment Increases at Division III Schools? Urban Institute. https://www.urban.org/urban-wire/do-investments-athletics-lead-enrollment-increases-division-iii-schools
[11] Knight Commission on Intercollegiate Athletics (2025). College Sports at a Crossroads: Insights from Division I Campus Leaders. https://www.knightcommission.org/2025/10/division-i-leaders-survey-results-college-sports-at-a-crossroads/

found in the public comprehensive or the public two-year sectors. This is true for total expenditures, where the direct and indirect costs of research activity create clear disparities between sectors, as well as when the focus is on instructional expenditures alone (Figure 5). However, it is not true when focusing on student service expenditures, which are substantially greater at public comprehensive institutions than at public research universities (or community colleges) (Figure 6). Perhaps reflecting the differences in the audiences public comprehensive institutions serve, they have found it necessary to devote relatively greater resources to the parts of their organizations tasked with providing co- and extra-curricular learning and with helping students navigate the financial, cultural, administrative, and emotional aspects of their college experience.

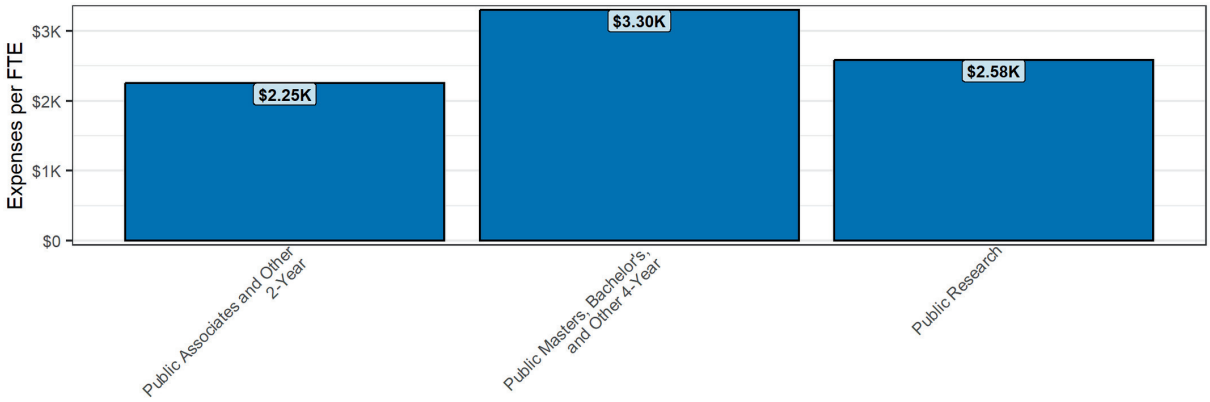
Figure 5: Instructional Expenses per FTE, by Sector, FY24

Sources: NCES IPEDS finance survey (fYYYY_f1a and fYYYY_f2 files) and 12-Month Enrollment Survey (efiaYYYY files), 2024 provisional release files.

Source: NCES IPEDS Finance Survey (fYYYY_f1a and fYYYY_f2 files) and 12-Month Enrollment Survey (efiaYYYY files).

The costs associated with supporting the missions of research universities lead inevitably to substantially greater costs per student than are found in the public comprehensive or the public two-year sectors.

Figure 6: Student Services Expenses per FTE, by Sector, FY24

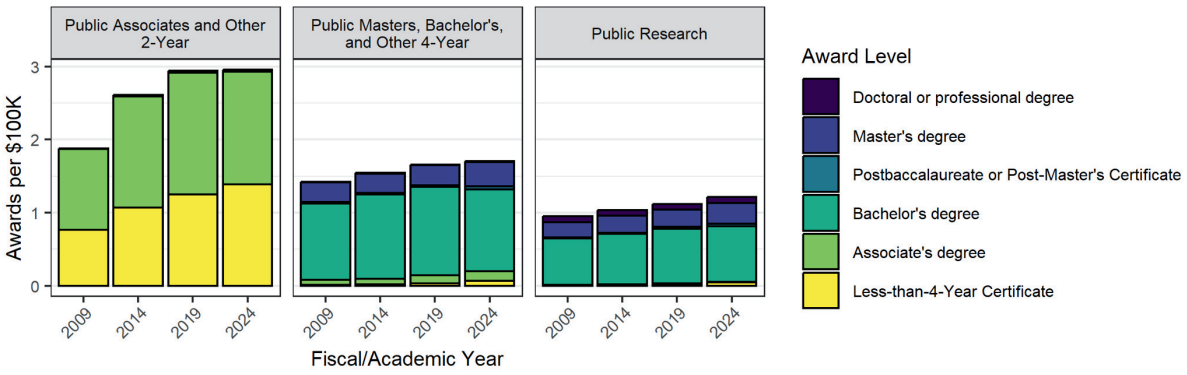


Sources: NCES IPEDS finance survey (fYYYY_f1a and fYYYY_f2 files) and 12-Month Enrollment Survey (efiaYYYY files), 2024 provisional release files.

In large part due to higher costs at public research universities, the total investment in producing each degree in that sector is much greater than in the other two sectors (Figure 7). In fiscal year 2024 (FY24), public comprehensive universities produced awards for about 67% of discretionary revenue (from educational appropriations and tuition) needed to produce a degree at a public research university. Although it is important to recognize that there are far fewer (expensive) doctoral degrees awarded in the public comprehensive sector, doctorates also comprise a relatively small share of the awards conferred in the public research sector; at the national level, both sectors award many more undergraduate degrees than graduate degrees. Accordingly, calculating costs per degree by assigning greater weights to more advanced degrees would not close the entire gap.

This difference in degree productivity relative to revenue occurs even though the public research sector boasts better graduation rates. Low graduation rates have long been a concern for states (and especially for the individuals who leave without completing their degrees) and policymakers commonly seek ways to improve student success across all public institutions. Strategic investments that support more effective student services in comprehensive universities would likely improve their graduation rates and provide a cost-effective approach to making these institutions even more productive in conferring awards. It should be no surprise that this is so, as the missions of institutions in the comprehensive sector are more narrowly focused on instruction.

Figure 7: Awards per $100,000 in Revenue from State and Local Appropriations and Net Tuition by Sector



Source: NCES IPEDS Completions Survey, files cYYYY_a; IPEDS Finance Surveys, files fYYYY_f1a, fYYYY_f2, fYYYY_f3. 2009, 2014 and 2019 final release; 2024 provisional release files. Revenue has been adjusted to 2024 dollars using HECA. Revenue includes Tuition and fees, after deducting discounts and allowances plus State and Local Appropriations and Nonoperating Grants.

This is not an argument that public research universities should lose funding support from states in favor of more investment in public comprehensives. It is an argument, however, for states being clearer about what they expect from institutions that have fundamentally different missions. States vary in how much weight they give to differences in mission through their funding approaches, a recognition that a state is "buying" something different from each of its institutions. Under that framing, state leaders can be more deliberate about how they make investments in pursuit of their goals. If educational attainment is the overriding goal, public comprehensive institutions produce awards at a lower price than do public research universities. If attainment, along with the expansion and diversification of the economy driven by research-related innovation and technology transfer, is more important, public research universities are likely to deliver the desired results more effectively. All of this begs the question: is the consolidation of enrollments in the public research sector likely to produce the results, with the optimal investment of resources, that are most important to state policymakers? And what will be the unintended consequences for the state and its disparate communities if states decline to take more robust steps to guide the missions (and shape the behavior) of their public institutions caught in an increasingly competitive market?

Mission-Related Cost Differences

The foregoing analysis presents higher education finance data on a per FTE basis. Standardizing finance data by FTE is necessary if the analytical goal is to provide information about the relative sources and uses of funding across institutions of very different sizes. It is particularly common when looking at state and local educational appropriations, as the previous section illustrated. Sophisticated higher education leaders, analysts, and legislators know that its simplicity comes with a flawed assumption: comparing institutions based on revenue or expenditures on a per-student basis does not always effectively account for important differences in mission that affect institutional cost structures. Of particular concern are those that are based on the programs delivered, the audiences served, and other factors tied to the role the institution plays in its state or community.

Variation across institutions in what programs they offer—at what levels and across what disciplines—is a major factor in determining the costs an institution faces. While conducting regular cost studies can be prohibitively expensive for states, some (including Texas [12] and Illinois[13]) have documented the variation they see across academic units within their state institutions. For many years, the University of Delaware managed a national survey to assess cost differences across four-year institutions before discontinuing it in 2025; the National Community College Benchmarking Project continues to do so for public two-year institutions. These resources consistently document the reality that upper-division and graduate-level education cost more to deliver than lower-division courses do, and that certain disciplines are more costly to offer than others. The implication for public higher education funding is that some institutions will simply be more expensive to operate than others because of the programs they offer, all other things equal.

State agencies responsible for managing institutional missions and programs (through program review and approval policies and procedures) must be mindful of how changes to an institution's academic inventory can affect the cost functions that underlie the institution's business model and financial health. Because the addition or subtraction of

[12] https://www.highered.texas.gov/legislative-appropriations-overviews/expenditure-study/
[13] https://www.ibhe.org/coststudy.html

programs by one or more institutions seeking to meet local or statewide needs—or simply to maximize their ability to recruit students—has significant financial implications, state agencies must take the wider, statewide or regional view of mission alignment and complementarity when weighing requests for changes to the program inventory.

In addition to programmatic costs, state agencies must also attend to the variation in the costs of serving different student subpopulations. The first and most obvious way that states consciously consider audience as a critical element of mission is in geographic terms; after all, institutions were typically established in places where populations in need of access existed, most obviously in the expansion of community colleges. Apart from locations, however, states are often not purposefully aware of how the average costs of getting students from different backgrounds and levels of academic preparation to the same or similar outcomes, such as completing a bachelor's degree, are sure to differ for institutions with varied student body profiles. If the state has assigned one institution a mission to serve the "best and the brightest" with a full array of residential services, athletics, and other features, it cannot expect the same underlying cost structures to be useful at a different institution assigned a mission to serve adults, students who are less well-prepared academically, and students with less access to financial and other resources. Research has demonstrated wide variation in what is required to meet the needs of such populations effectively and provides insights into how costs associated with serving various subpopulations differ[14].

It is also evident that not all enrollments are created equal, even holding many student characteristics constant. Many postsecondary institutions, especially in the four-year public sector, are built for and perpetuate habits geared toward traditionally aged students who enroll directly after high school. There are many reasons, both intentional and otherwise, that an institution and its key stakeholders might prefer to operate this way. Inertia is surely one factor, as are cultural norms related to campus life. Another important one is financial: the typical student who has recently graduated from high school is a better financial bet than an adult aged 25 or older because the recent high school graduate is more likely to enroll, more likely to take classes full-time, has more recent academic preparation to draw on, and often has better eligibility for financial aid programs to help defray their costs of attendance. The more of those students an institution can enroll, the more predictable their budget planning and projections are, the more revenue they can rely upon from each

[14] Illinois Commission on Equitable Public University Funding. (2024). Report on the Commission's Recommendations. Illinois Board of Higher Education. Appendix E; Levin, J., Baker, B., Lee, J., Atchison, D., & Kelchen, R. (2022). An Examination of the Costs of Texas Community Colleges. Institute of Education Sciences.

student, and the more of their institutional costs they can spread over each of them. By contrast, part-time students are less likely to be retained, are likely to pursue shorter programs, and will generate less revenue for the institution; yet, each of them will require as many, if not more, academic and other support services. Such dimensions have a profound effect on variation in funding needs among institutions, but these implications are consistently underappreciated in state finance policy debates that rely on analyses based on an overly simplistic per-student calculation.

Finally, there are other vitally important aspects of institutional missions that drive costs in different directions for different institutions. For public research institutions, this includes the substantial costs introduced by extensive research activity. Costs are also driven upward by the much lower teaching load of a public research university's faculty as well as by additional administrative and other resource needs (e.g., a grants management and compliance function, laboratories and other additional space, travel obligations). Additionally, an institution may have important public service obligations as part of its mission; these include status as a land-grant institution with cooperative extension and field research stations, museums, visual and performing arts centers, demonstration schools, and other resources in which the community surrounding the campus partakes (e.g., a recreation center). Some institutions operate medical centers or veterinary hospitals that, while they include a critical instructional and research focus, also support high-quality patient care. These have substantial additional costs—including major regulatory costs—of their own, and disentangling the instructional costs for these programs is largely impossible. There may also be elements of the institution's history or heritage that the state or the community finds worthy of celebration and preservation, and therefore of targeted financial support, such as its status as an HBCU. Finally, an institution may embrace—and be expected to carry out—a mission of service to the residents of a rural community. Issues of scale economies become a concern in such cases; the need to appropriately meet the needs for educational opportunity of place-bound individuals in remote parts of a state will create fixed costs that cannot be spread over as many students as is the case in larger institutions. All of these additional elements of mission create variation in cost structures. Just as with variation in programs and in audience, states must be conscious that those important elements of mission may be at risk of being sacrificed by a too-rigid commitment to allocating resources on the simplistic basis of a standard per-student cost.

Some institutions will simply be more expensive to operate than others because of the programs they offer, all other things equal.

Implications

Several observations follow this discussion of the financial aspects of mission differentiation. First, public institutions are rarely good substitutes for one another because they usually serve distinct missions—differentiated by the programs they offer and the students they serve—and because some of these differences entail substantially greater costs to taxpayers and students. Moreover, even in the era of online enrollment, student access and success hinge on proximity to academic and other support services. Therefore, it is an oversimplification to suggest that the students who attend a small, public comprehensive institution close to home can automatically be served as effectively by another comprehensive university or a public research university located in a distant part of the state.

Second, market forces will continue to play the dominant role in shaping institutional financial health, and states have limited capacity to reorient the institutional pecking order, even if they wanted to steer the market more actively. In other words, there is no getting around the fact that what a state's flagship institution does in terms of student recruitment will have cascading effects on the financial health of institutions that are in weaker market positions. Even flagships in nearby states, and better-positioned private institutions, will create market effects for public comprehensive institutions, community colleges, and tuition-dependent private institutions. Those institutions at greatest risk from these market forces may face existential consequences. They tend to be institutions that serve predominantly rural areas or other geographies experiencing population decline, as well as students from low-income and underrepresented backgrounds. They also tend to be the institutions that are relatively more dependent on state and local appropriations to provide the funding necessary to carry out their missions. Given these stark realities, state leaders must be prepared to recognize these patterns and adapt policy to ensure that statewide and regional goals are prioritized and that the institutions best equipped to address them remain viable. Though their ability to intervene may face constraints from established norms and politics, the actual limits on their influence are seldom as real as they are perceived to be. Wise policy, the thoughtful use of data and evidence, and the careful engagement of a broad-based dialogue can result in policies that overcome many perceived limitations.

Third, as institutions take steps to shore up their financial health under conditions of intensifying competition, state leaders should be alert to responses that drag institutions

beyond the boundaries of their assigned missions, especially when those responses come with financial implications for other institutions or sectors. Some of the associated costs may not be well understood. For instance, dual enrollment activity has expanded dramatically throughout the nation as its benefits for students are widely acclaimed. Yet whether that growth is financially sustainable is less clear; state policy with regard to funding dual enrollment has not kept up with the growth in this area. Further, most states have made little effort to assign responsibility for dual enrollment to any sector, potentially contributing to unproductive competition. Bachelor's degrees at community colleges, the movement to develop 90-credit bachelor's degrees, unresolved issues about which institutions can teach these reduced-credit bachelor's degrees, and the proliferation of sub-baccalaureate awards at four-year institutions are also opportunities for missions to become blurrier. As there is no single universally "right" organizational model to respond to these innovations, state leaders need to set the conditions for their institutions to thrive within the demographic and fiscal environment of the state. All of these considerations serve to place a premium on creating (and enforcing) institutional missions that clearly describe the programs offered and audiences served.

As states confront the challenges ahead for higher education, their leaders will need to refine their policies on institutional missions so they can leverage their higher education assets most effectively to meet state goals. It may well be that this is best done by creating conditions in which institutions are expected to collaborate at the state or regional level to address an identified need, rather than by augmenting the capacity of individual institutions—the de facto habit of the past, and one that is financially unsustainable during a period of demographic decline. Renewed attention to mission discipline will help state leaders put these conditions into place by intentionally designing the ways that their institutions can best complement one another's respective strengths and planning for how to fill gaps in service to communities and industries. As states sharpen that clarity, leaders will require greater awareness and appreciation for the financial implications of assigned missions such that institutions are given—or are able to obtain—the funding support necessary to accomplish them. Cultivating collaboration will also require creating funding mechanisms that enable and reward it. Incorporating incentives to prompt and sustain collaborations will be a major departure from past practice, but thoughtful approaches will likely be an important element in harnessing the full suite of a state's assets in service of state needs.

Conclusion

The prospect of declining enrollment demand represents the most profound change to higher education in decades. Even as the industry works to adapt to whole new pressures, the basic facts of a shrinking population of traditional-aged students and falling participation rates present urgent concerns. The underlying business models that sustain institutions of all types are being tested, and, on its own, the market is unlikely to consistently prompt institutions to act in the best interests of the state or of students (both current and prospective) as the highest priority. In the most pernicious cases, market forces may hasten the demise of institutions that serve vital public purposes. Now, more than ever, it is important for policymakers to articulate those purposes clearly and to act in furtherance of their attainment. Moreover, the evidence is clear: different aspects of institutional missions that serve these purposes come with different cost functions. These financial considerations, together with a clear-eyed sense of how the needs for access to postsecondary education services are distributed across the state and among its communities, should prompt state leaders to renew their focus on institutional mission discipline and to use available policy tools to steer development and sustenance of their postsecondary assets accordingly.

Higher education is wading deeper into a new and uncertain era of demographic decline and shifting expectations. States, state agencies, and postsecondary systems cannot afford to let the chips fall where they may. While competition among suppliers encourages innovation and efficiency in the larger economy, especially when profits are the driving motivation, unrelenting competition in higher education, where prestige, reputation, and growth are the currency of the realm, does not work the same way. At risk when institutions aggressively pursue their own, often asymmetric interests in a contracting market without stricter guidance from the state are important state priorities. If states are serious about achieving their strategic goals while effectively stewarding taxpayer funds and protecting student affordability, they must take proactive steps that blunt the impact of pure market forces and more effectively control the configuration and performance of their respective postsecondary assets. Policy tools available to policymakers are the topic of the third paper in this series.

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