FINANCING CALIFORNIA HIGHER EDUCATION

The Case for Change
Why and How

Presentation by:
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President, Western Interstate Commission for Higher Education (WICHE)
Why California Must Change

Demand exceeds supply

And, California’s economy and social fabric need the State to meet demand
Relationship Between Educational Attainment, Personal Income, and Economic Strength

State New Economy Index (2002)

- **Top Tier**
- **Middle Tier**
- **Low Tier**

Personal Income Per Capita, 2000

- $15,000
- $20,000
- $25,000
- $30,000

Percent of Adults Age 25-64 with a Bachelor’s Degree or Higher

- 15%
- 20%
- 25%
- 30%
- 35%
- 40%

Low Income, Low Educational Attainment

High Income, Low Educational Attainment

High Income, High Educational Attainment

Low Income, High Educational Attainment
Differences in College Attainment (Associate & Higher) Between Younger & Older Adults—U.S. & OECD Countries, 2009

Source: Organisation for Economic Co-operation and Development (OECD), Education at a Glance 2011

slide 4
Differences in College Attainment (Associate & Higher) Between Younger & Older Adults - U.S., 2009

Source: U.S. Census Bureau, 2009 American Community Survey (ACS)
Difference in College Attainment Between Whites and Minorities (Blacks, Hispanics, Native Americans) (2009)

Source: U.S. Census Bureau, 2009 American Community Survey
Why California Must Change

First, Demand exceeds supply

And, California’s economy and social fabric need the State to meet demand

PPI Projections – 1 Million more credentialed citizens than being produced today

More of the same won’t get you there
Why California Must Change

Second, changes within higher education and changes in composition of students can’t be sustained with current funding approach.

- Funding built on a growth model isn’t sustainable
- Students are more at-risk & serving them takes resources
- More of the same won’t get you there
Third, other legitimate demands for government funds are displacing higher education as a priority.

Like it, or not, it’s a fact

And higher education does have an additional revenue source – tuition

And a reasonable case can be made for – “s/he who benefits should pay”

More of the same won’t get you there
Fourth, California isn’t wealthy enough for the generosity it once provided to the public good.

California is about average in every way
- Average in per capita income (7% above)
- Average in tax effort (4% above)
- Slightly above average in higher education support (7-14% above, depending on measure)

But California appetite for public goods was built on an era of greater wealth
Why California Must Change

Results: *Education of Californians – At risk*

- Enrolment caps reduce access
  - Explicit Caps
  - Implicit limits
    - No classes in which to enroll
    - Too few classes in which to enroll

- Productivity needs improvement
  - Not so much *student success* in California
## National Student Clearinghouse Information on Student Completion in Six Years

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- Productivity needs improvement
  - Not so much *student success* in California
  - More an issue of cost per unit of outcome (grads)
    - Not CSU – 2nd best nationally, 23% above national average
    - Somewhat UC – on the national average, but 40% below top ranked state (Colorado)
    - Community Colleges the issue -2nd to last nationally
A New Philosophy

From:

- Officially – You come, we will pay & provide
- Actually -- We meant well; sorry ‘bout that

To: A design for shared responsibility

- Similar to Oregon and Minnesota
- But tailored to California
How To Change California: A New Path to Affordable Access & Success

The Partners in A New Philosophy of Shared Responsibility

- The State of California
- The Student
- The Student’s Family (Parents/Spouse)
- The Federal Government
- The Institution the student is attending
Revenue Per FTE by Source, FY12
A Proxy for Instructional Costs

Sources: California Legislative Analyst's Office, The 2013-14 Budget: Analysis of the Higher Education Budget, http://www.lao.ca.gov/analysis/2013/highered/higher-education-021213.pdf; NCES IPEDS Fall Enrollment (for UC FTE calculation); California Community College Chancellor's Office Datamart; California State University Fall Enrollment Summary
Partners Share Responsibility for Meeting the Cost of Attendance

5. The institution, via need-based aid, makes up the remaining difference.

4. The state grant award makes up the remaining difference, based on frugal budget.

3. The model accounts for the federal government’s contribution (i.e., Pell grants, tuition tax credits).

2. The student’s parents/spouse contribute their share.

1. Each student, as the principal beneficiary, is expected to contribute toward his/her own educational costs. Sources include: earnings, savings, borrowing, or scholarships.
Recognizing the Difference in Costs of Attendance Between Sectors

Two-Year Sector

- State
- Feds
- Family
- Student

Four-Year Sector

- State
- Feds
- Family
- Student

The cost of choice linked to reasonable borrowing

Earnings linked to reasonable work commitment (minimum wage)
State Role in Assisting Students:

- **Revamp Cal Grant**
  - Piggy Back on Pell
  - Focus on most needy

- **Pay As You Earn**
  - Build on Federal Income-based Repayment Program
  - Provide State Financed Consumer Information Program
    - Describing Shared Responsibility
    - Providing Financial Finance Curriculum to Schools

- Guaranty Access to Loan Capital
- Subsidize desired activity *after the fact*
The Missing Partner in Shared Responsibility Up To This Point – The Institutions

The Proposal for Institutions
- State sustains current level of support
  - But disbursed differently – on desired outcomes (performance funding)
- Growth in enrollment paid for from marginal tuition revenue

Two dilemmas:
- You need goals to ID desired outcomes, and state lacks goals
- You need an entity to plan and implement this, and you don’t have one