

TESTIMONY

*The LITTLE HOOVER
COMMISSION*

February 26, 2013

Presentation by:

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President, Western
Interstate Commission
for Higher Education
(WICHE)

FINANCING CALIFORNIA HIGHER EDUCATION

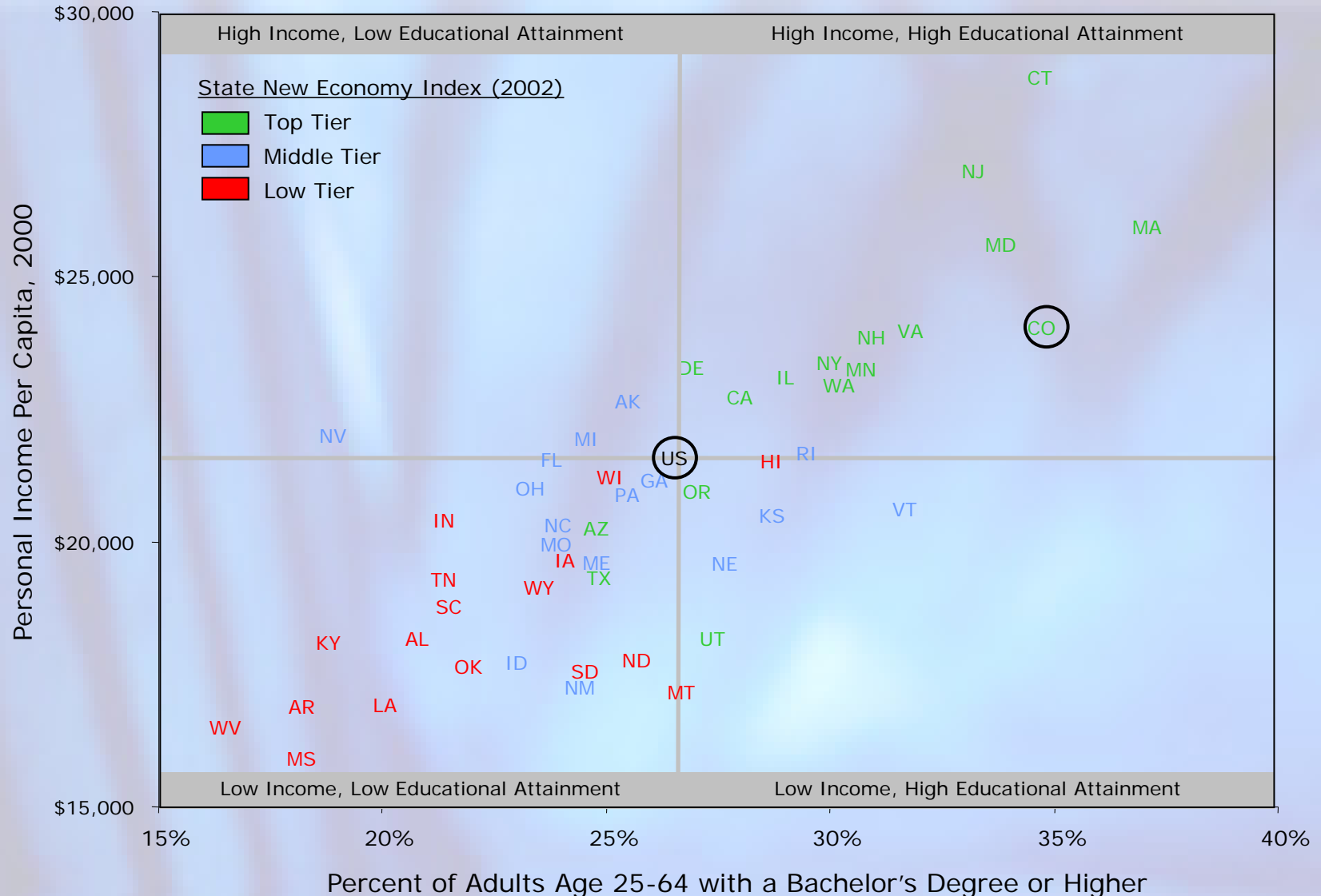
The Case for Change

Why and How

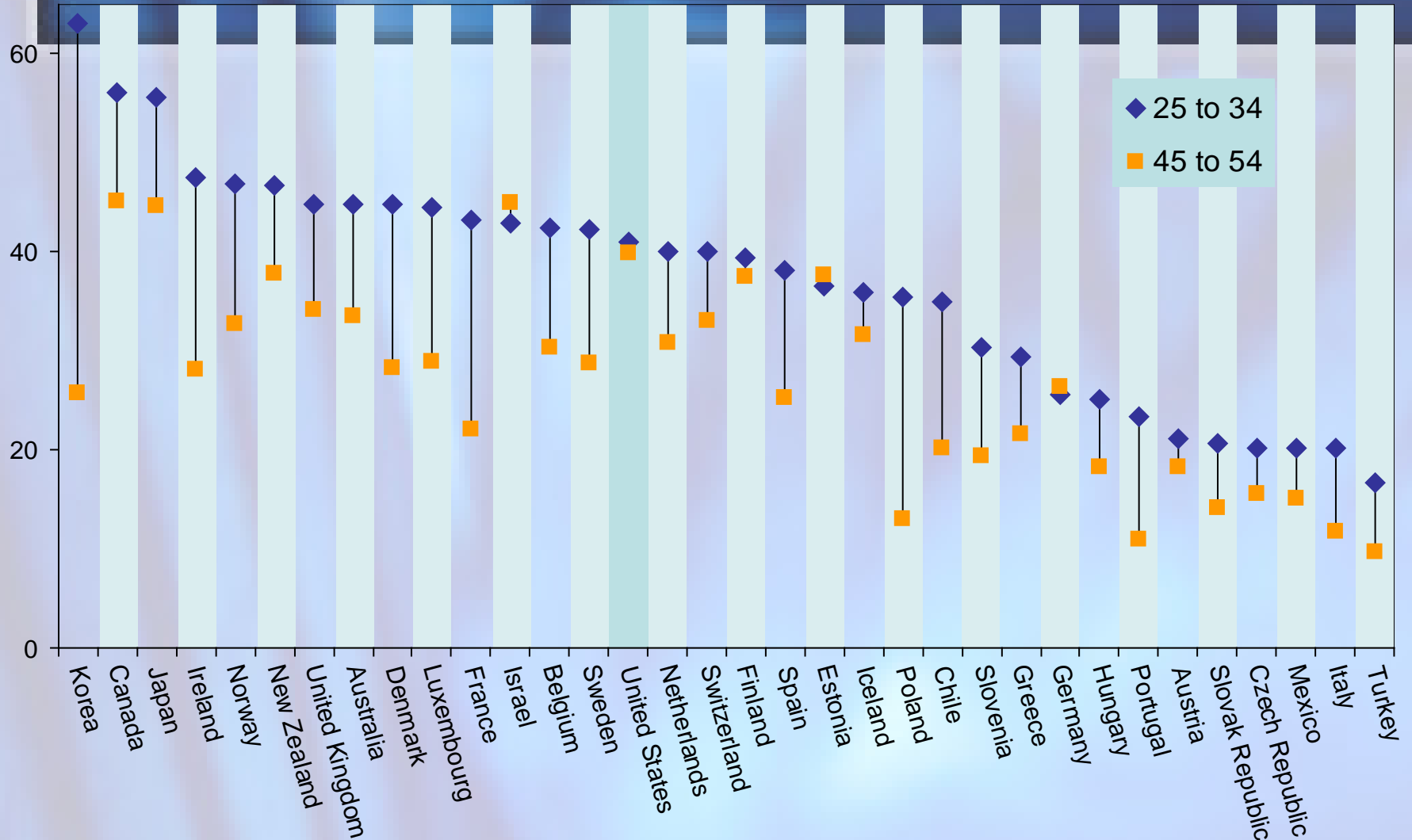
Why California Must Change

- 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

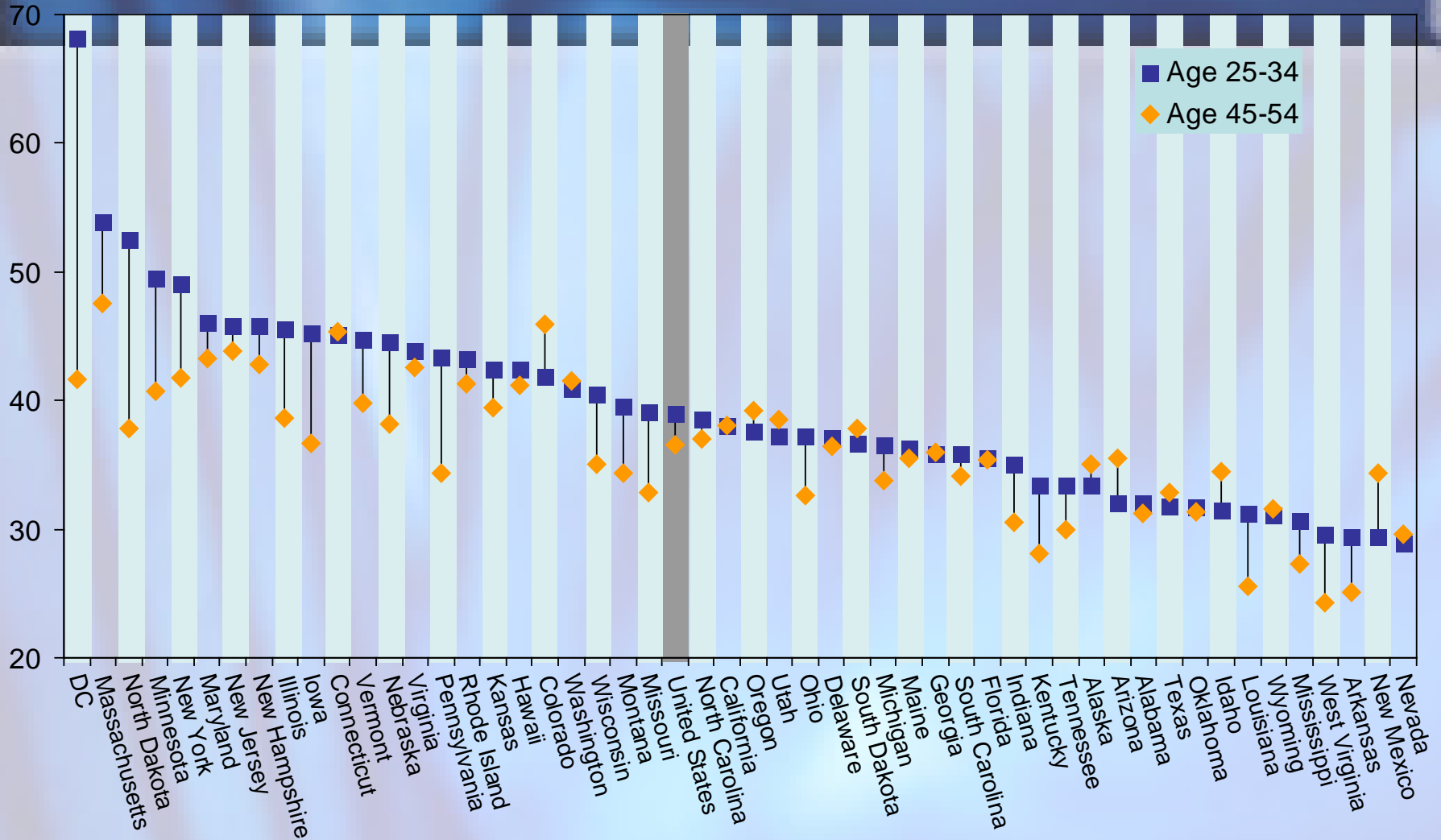


Differences in College Attainment (Associate & Higher) Between Younger & Older Adults—U.S. & OECD Countries, 2009

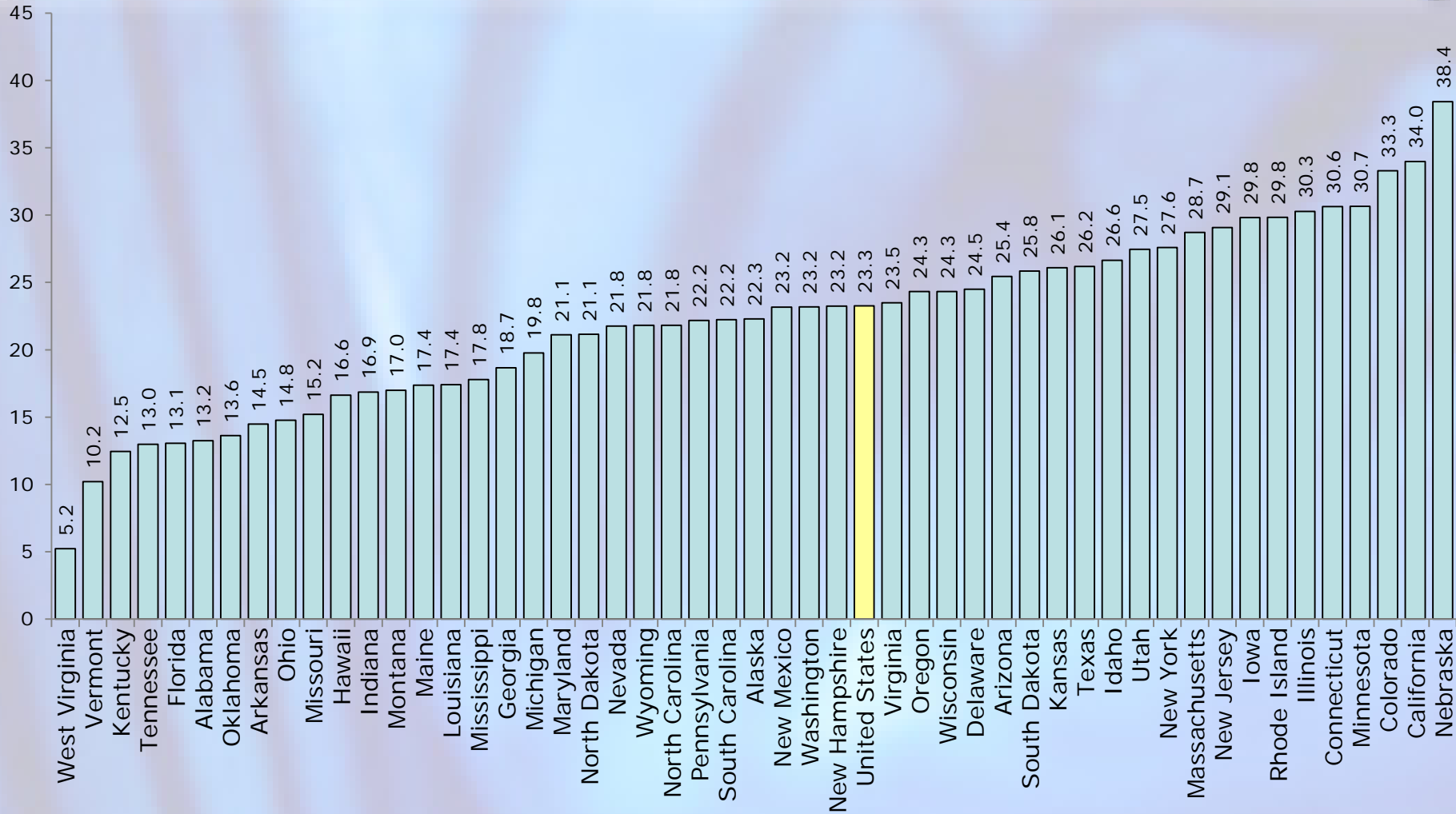


Source: Organisation for Economic Co-operation and Development (OECD), *Education at a Glance 2011*

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



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

Why California Must Change

- 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

Why California Must Change

- 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

	Completion		Not Enrolled or Completed	
	<i>Cal</i>	<i>US</i>	<i>Cal</i>	<i>US</i>
Public Universities	66%	61%	15%	23%
Private Colleges & Universities	77%	72%	14%	19%
Community Colleges	28%	37%	42%	44%

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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

How To Change California: A New Path to Affordable Access & Success

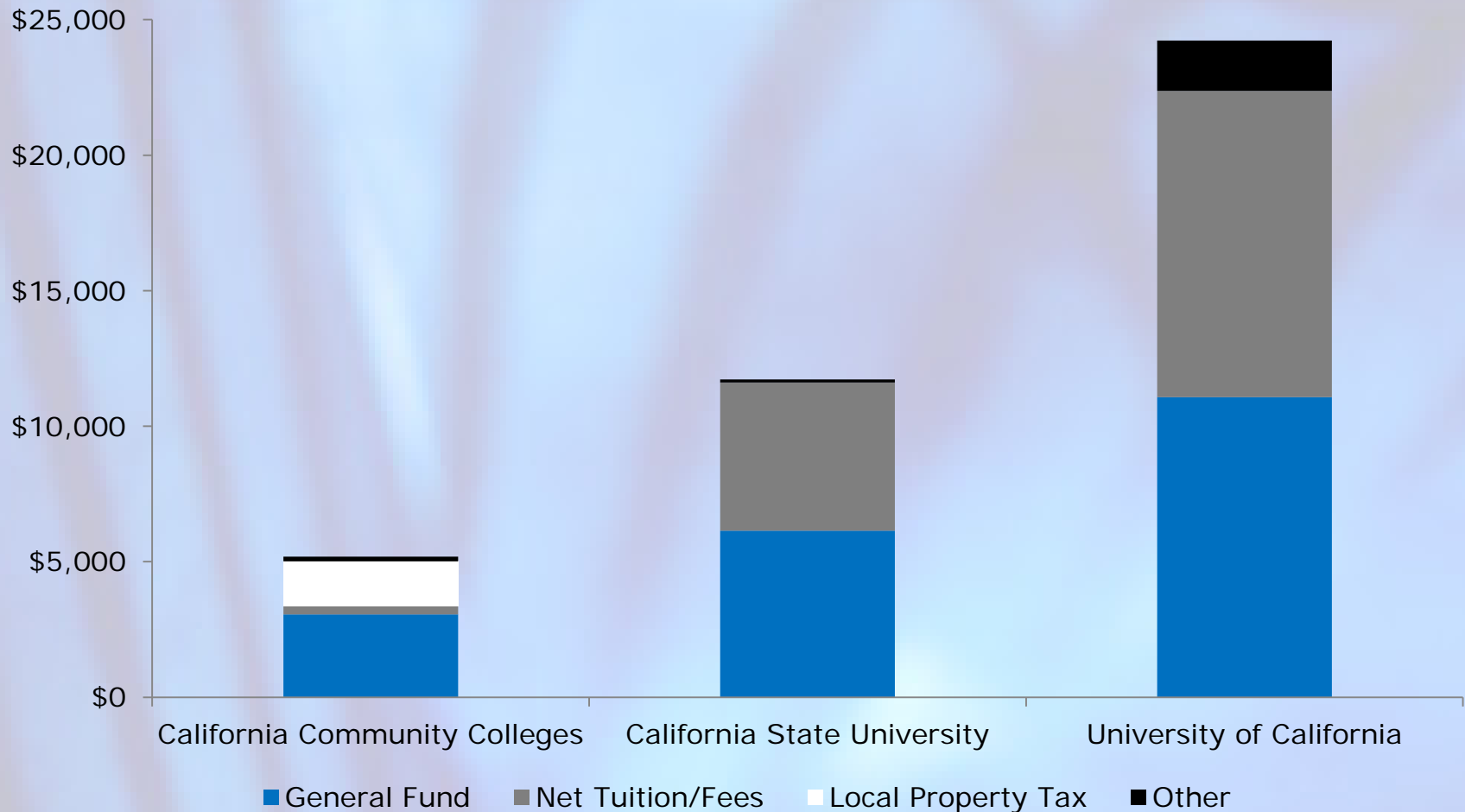
- A New Philosophy
 - From:
 - *Officially* – **You come, we will pay & provide**
 - *Actually* -- **We meant well; sorry 'bout that**
 - To: A design for shared responsibility
 - Similar to Oregon and Minnesota
 - But tailored to California

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

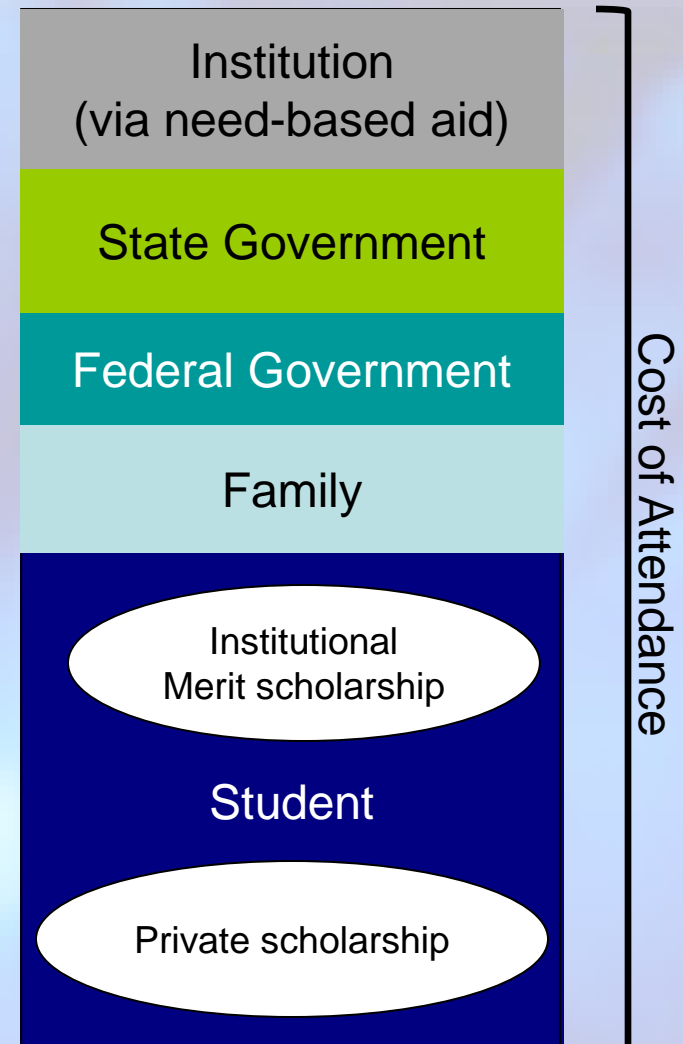
A Proxy for Instructional Costs



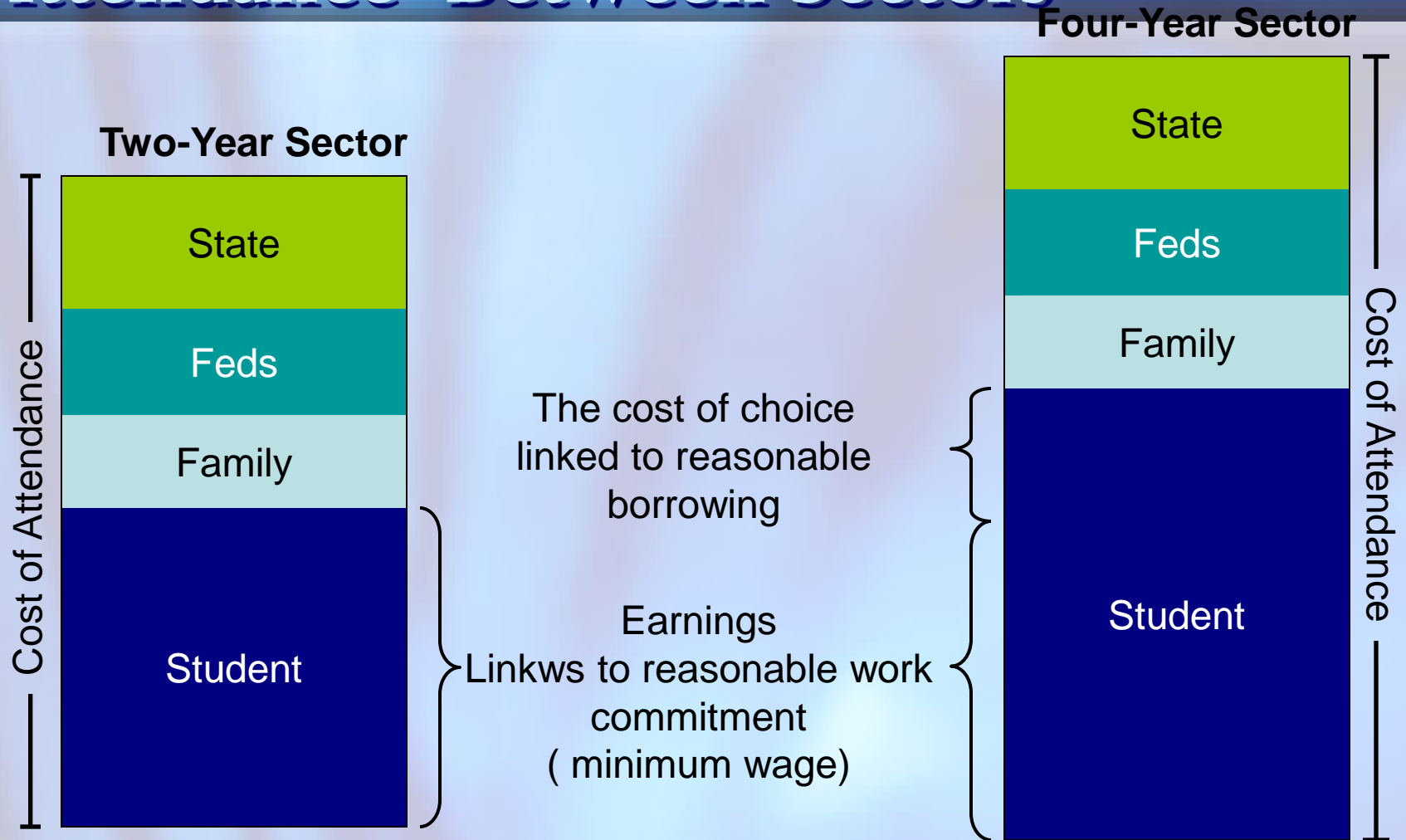
Sources: California Legislative Analyst's Office, The 2013-14 Budget: Analysis of the Higher Education Budget, <http://www.lao.ca.gov/analysis/2013/highered/higher-education-021213.pdf>; NCES IPEDS Fall Enrollment (for UC FTE calculation); California Community College Chancellor's Office Datamart; California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



How To Change California: A New Path to Affordable Access & Success

- 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***

How To Change California: A New Path to Affordable Access & Success

- *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*