

## TESTIMONY

***The California  
Assembly  
Higher Education  
Committee***

October 7, 2013

Presentation by:

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Interstate Commission  
for Higher Education  
(WICHE)

## FINANCING CALIFORNIA HIGHER EDUCATION

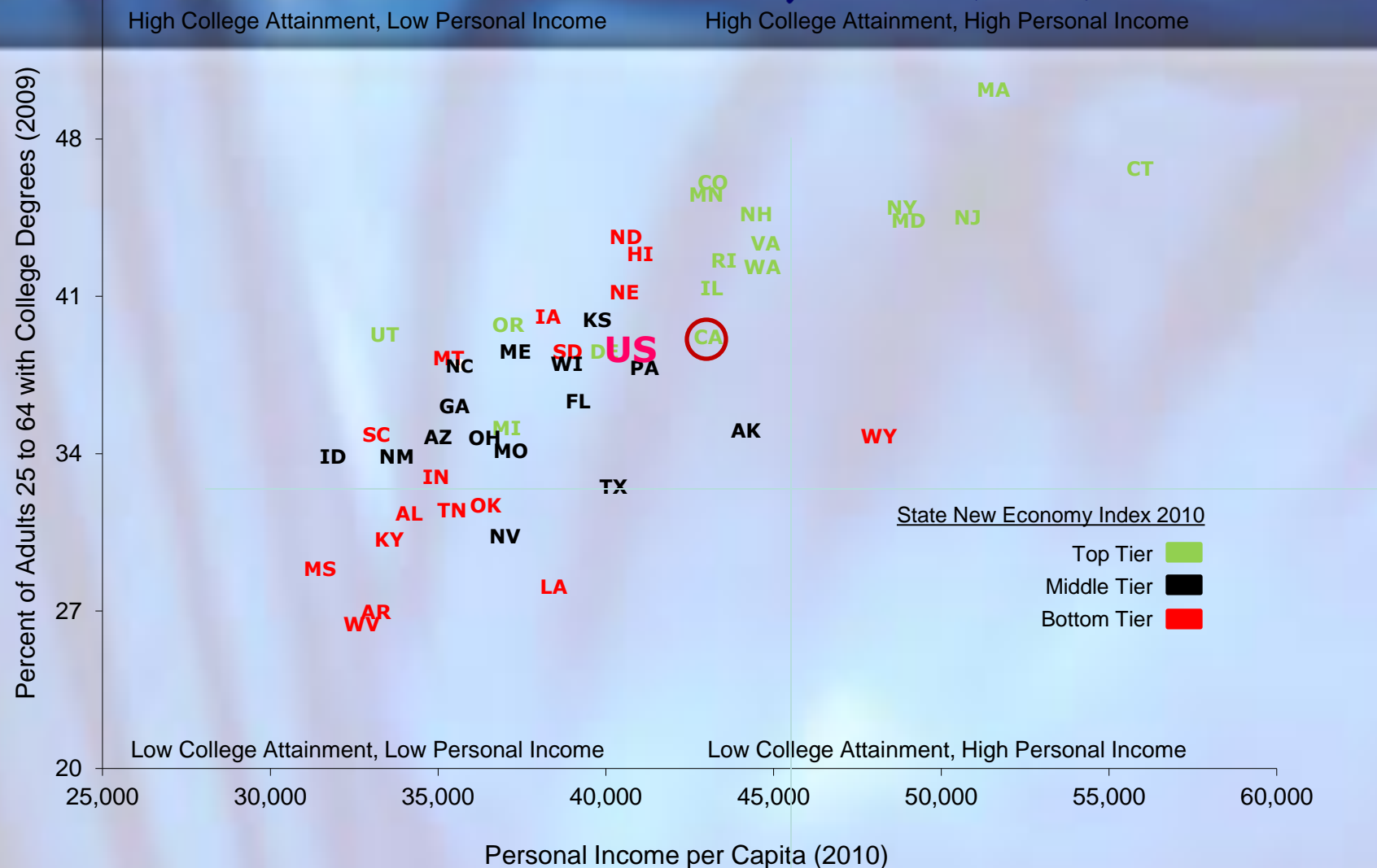
***~~The Case for Change~~  
The Case for Whopping  
Big Change***

## Why & How

# Why California Must Change

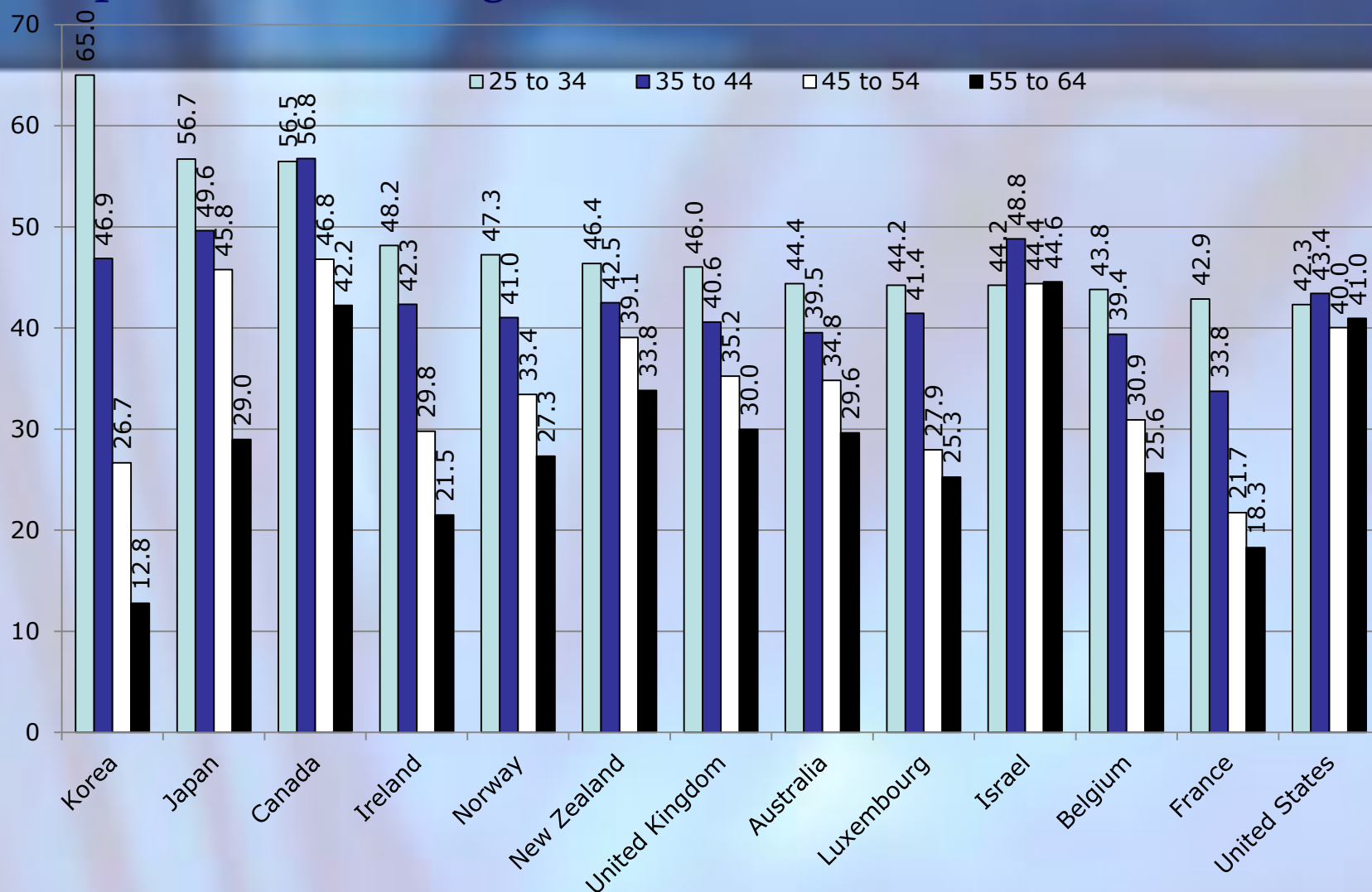
- First, Demand exceeds supply
  - And, California's economy and social fabric need the State to meet demand

# The Relationship Between Educational Attainment, Personal Income, and the State New Economy Index (2010)



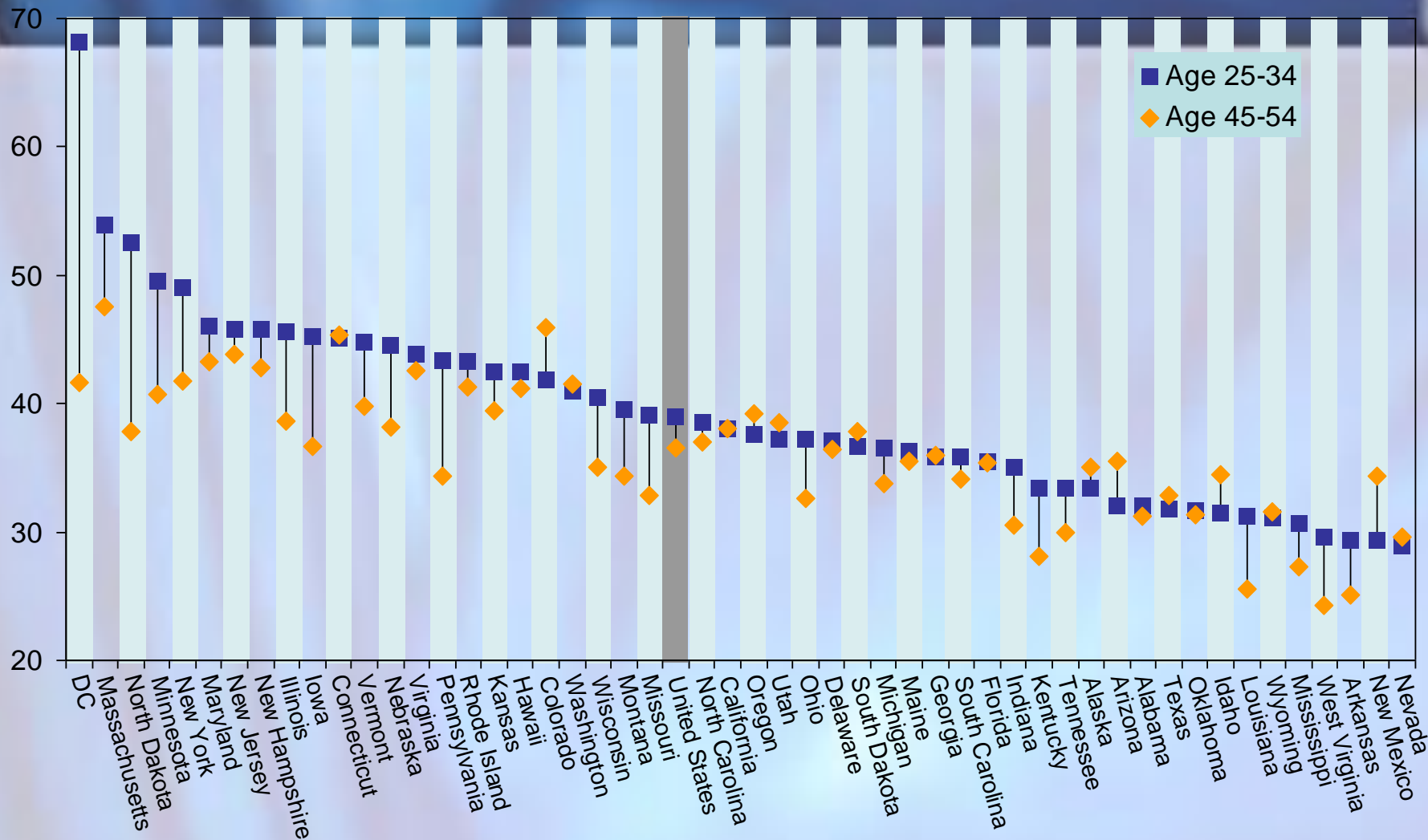
Source: U.S. Census Bureau, 2010 American Community Survey; Bureau of Economic Analysis; Kauffman Foundation

# Percent of Adults with an Associate Degree or Higher by Age Group – U.S. & Leading OECD Countries, 2010

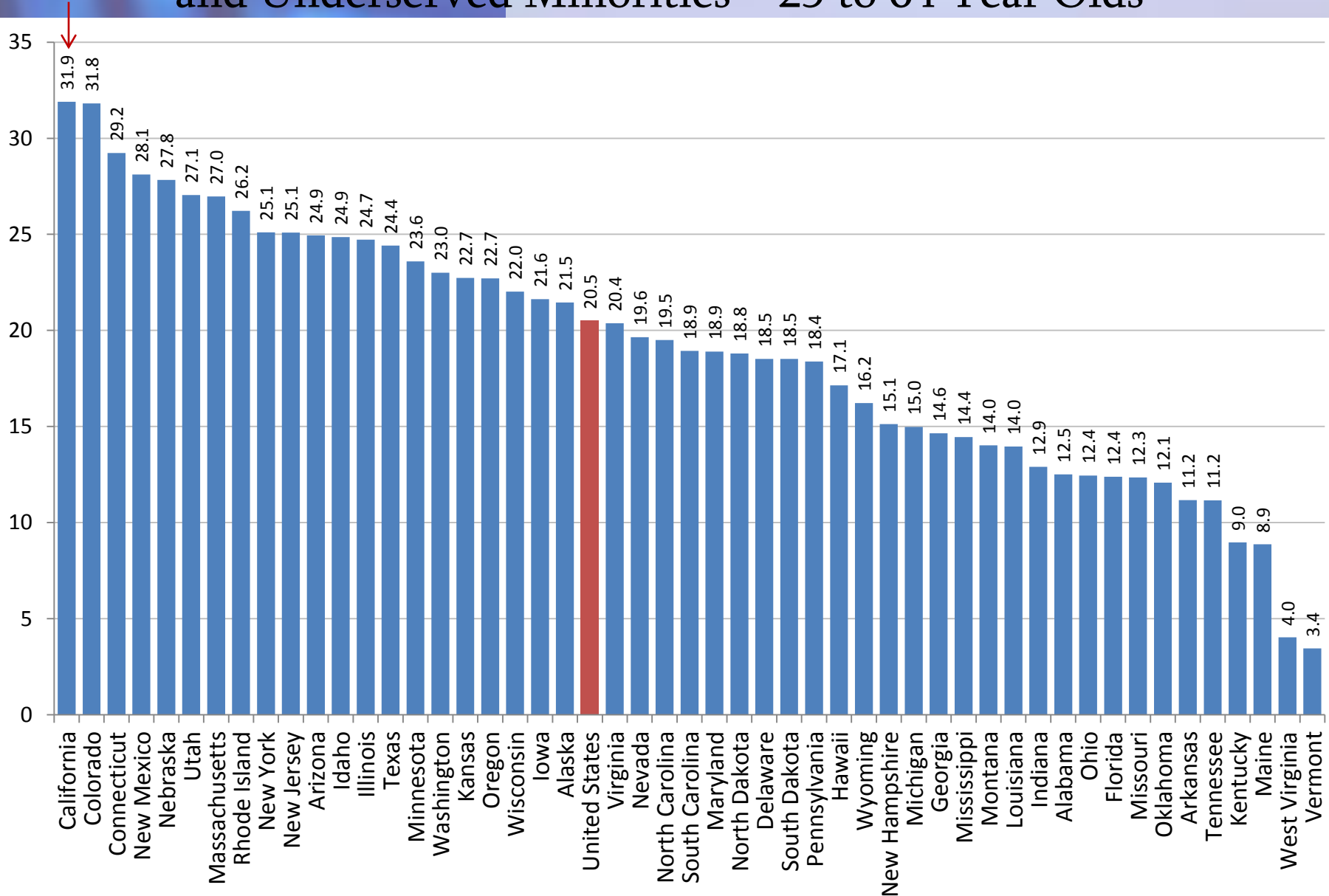


Source: OECD, Education at a Glance 2012, U.S. Census Bureau, 2010 American Community Survey One-Year Public Use Microdata Sample File

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



# Percentage Gap in College Attainment between Whites and Underserved Minorities – 25 to 64 Year Olds



Sources: U.S. Census Bureau, 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*
  - Limiting enrolment reduces 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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- Results: *Education of Californians – At risk*
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    - Explicit Caps
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      - no classes in which to enroll
      - Too few classes in which to enroll
  - Productivity needs improvement
    - Not so much *student success* in California
    - More an issue of cost per unit of outcome (grads)
      - Not CSU – 2<sup>nd</sup> best nationally, 23% above national average
      - Somewhat UC – on the national average, but 40% below top ranked state (Colorado)
      - Community Colleges the issue -2<sup>nd</sup> 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

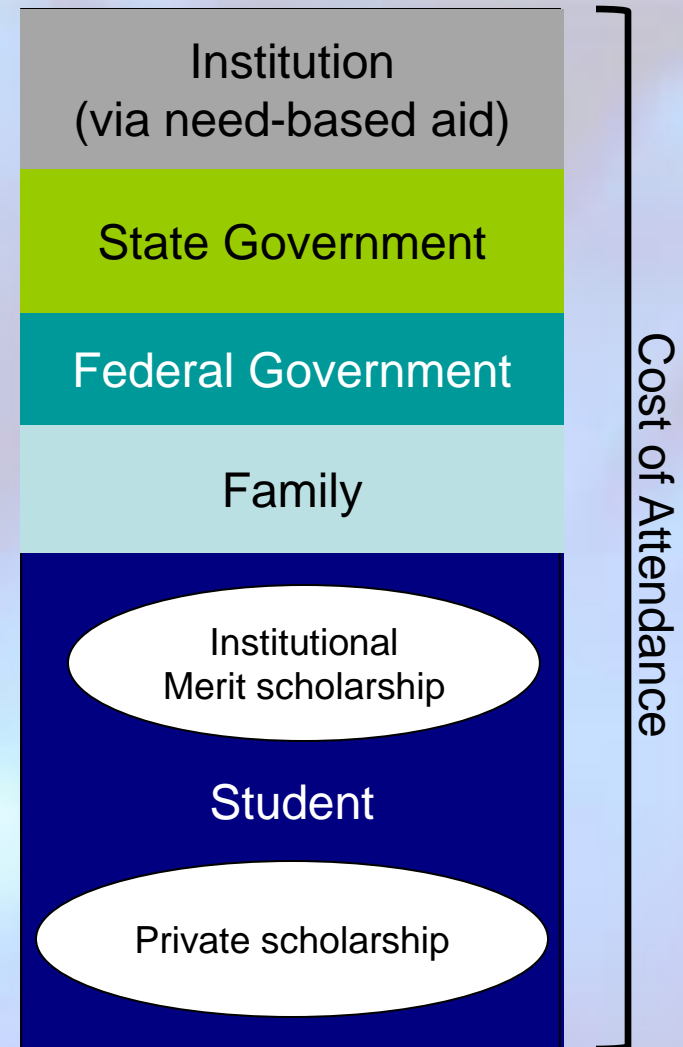
- Similar to Oregon and Minnesota
    - But tailored to California

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

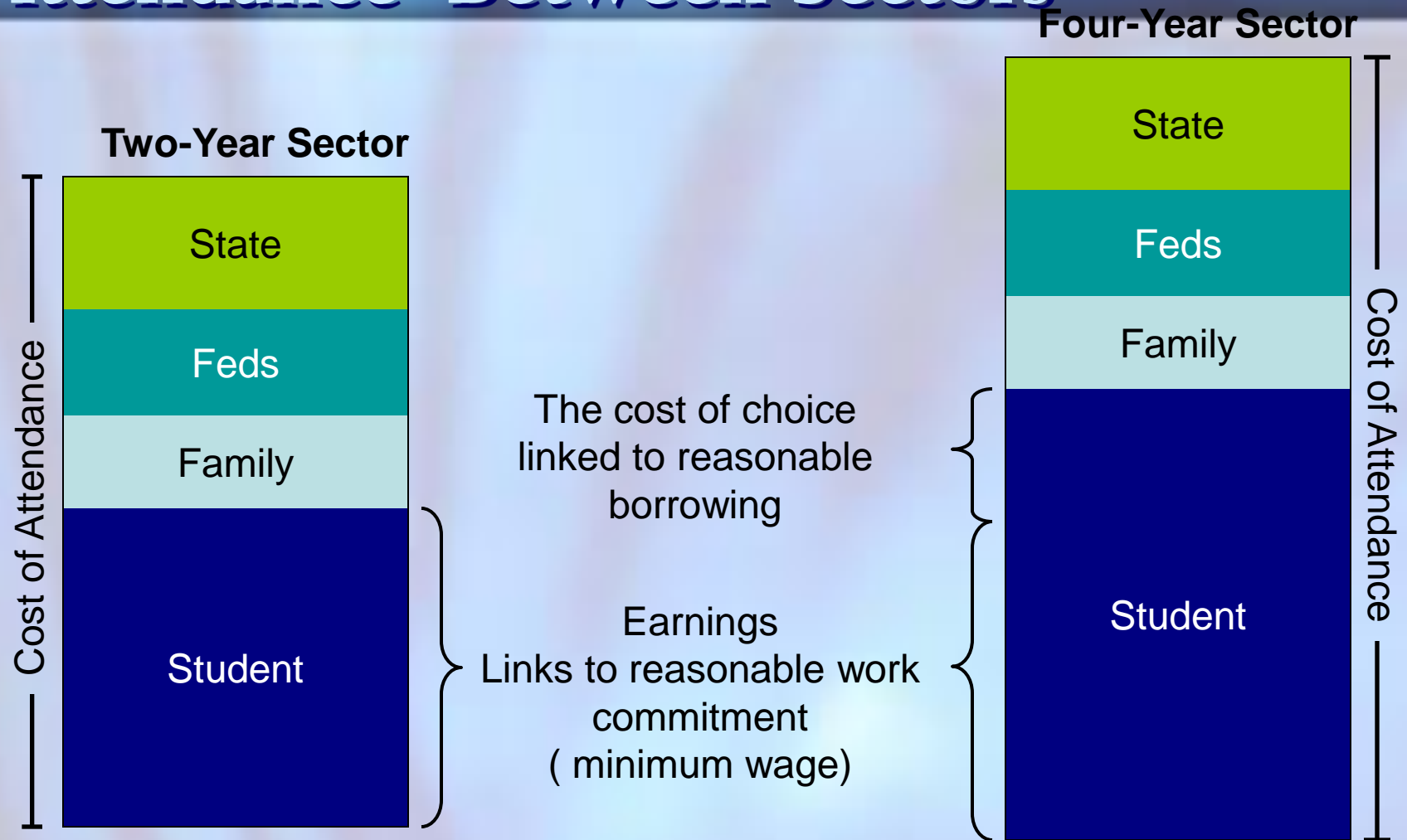
- The Partners in A New Philosophy of *Shared Responsibility*
  - *The State of California*
  - *The Student*
  - *The Student's Family (Parents/Spouse)*
  - *The Federal Government*
  - *The Institution the student is attending*

# 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

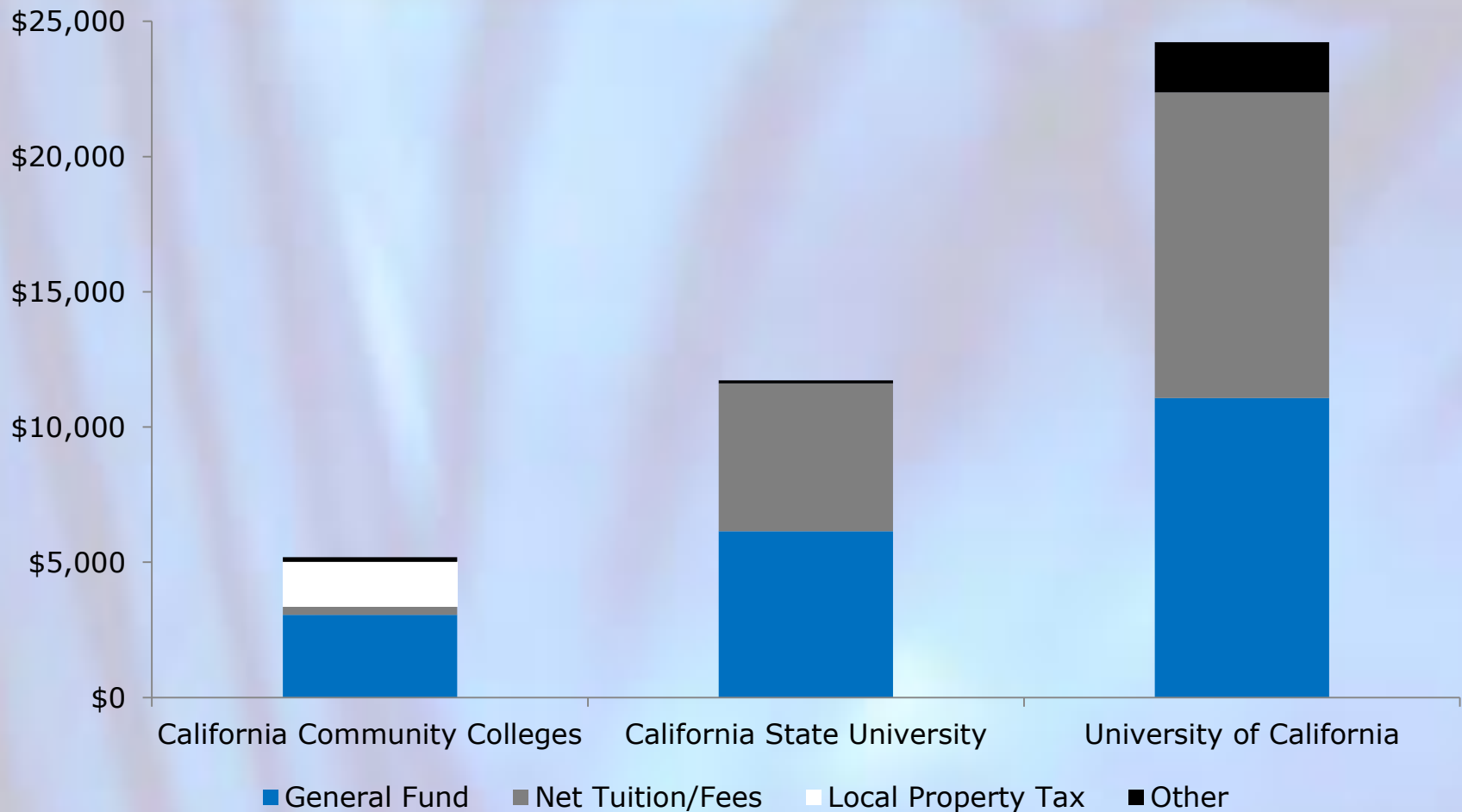


# How To Change California: A New Path to Affordable Access & Success

- State Role With Respect to Institutions
  - ***Revamp Approach to Appropriations***
    - *Move from Pretend Enrolment Based Funding*
    - *Which is actually funding on Immediate Expediency*
    - *To Outcome Based Performance Funding*
  - ***Start Charging Real Fees/Tuition in the Community Colleges***
    - *Necessary to provide adequate funding for both quality and access*

# 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



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

- State Role With Respect to Institutions
  - **Revamp Approach to Appropriations**
    - *Move from Pretend Enrolment Based Funding*
    - *Which is actually funding on Immediate Expediency*
    - *To Outcome Based Performance Funding*
  - **Start Charging Real Fees/Tuition in the Community Colleges**
    - *Necessary to provide adequate funding for both quality and access*
    - *Key to marginal funding for enrolment growth*
    - *Would garner increased federal funding to protect students from increased costs.*
  - **Synchronize Appropriations, Tuition & Financial Aid**



# 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 **when realized, not in advance***

# 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*