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# Meeting California's Higher Education Needs: Challenges and Prospects

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Presentation to Campaign for College Opportunity  
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## Overview of Presentation

- California's higher education system
- CA higher education performance
- Enrollment over next decade
- How to pay for increasing enrollment
  - Increasing revenues
  - Reducing costs
- Conclusions/recommendations



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# California's Higher Education System

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## Some Key Information on CA Higher Ed

- Master plan structure
  - Higher education opportunity for all
  - Three segments (UC, CSU, CCC)
  - Defined by mission and admission criteria
  - Recognizes contribution of independent colleges
  - Huge role of community colleges
  - Importance of transfer
- Governance
  - Strong segmental roles
  - Weak central coordination
  - “Segmented” policy attention
- Funding
  - Above avg state \$ + low fees = low total \$ per FTES



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# Trends in State Funding for Higher Education<sup>1</sup>

(General Fund, dollars in millions, not adjusted for inflation)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
UC	\$2,517.8	\$2,715.8	\$3,191.6	\$3,322.7	\$3,150.0	\$2,868.1	\$2,708.7	\$2,843.2
CSU	\$2,098.7	\$2,175.4	\$2,429.0	\$2,680.7	\$2,697.1	\$2,625.7	\$2,481.1	\$2,615.1
CCC <sup>2</sup>	\$3,747.4	\$4,136.8	\$4,510.4	\$4,701.1	\$4,869.9	\$4,505.3	\$5,021.0	\$5,508.8
Total	\$8,363.9	\$9,028.0	\$10,131.0	\$10,704.5	\$10,717.0	\$9,999.1	\$10,210.8	\$10,967.1

1/ Excludes expenditures on the Student Aid Commission, the California Postsecondary Education Commission, Hastings College of the Law and general obligation bond interest.

2/ Includes property tax revenue as a component of the state's obligation under Proposition 98.

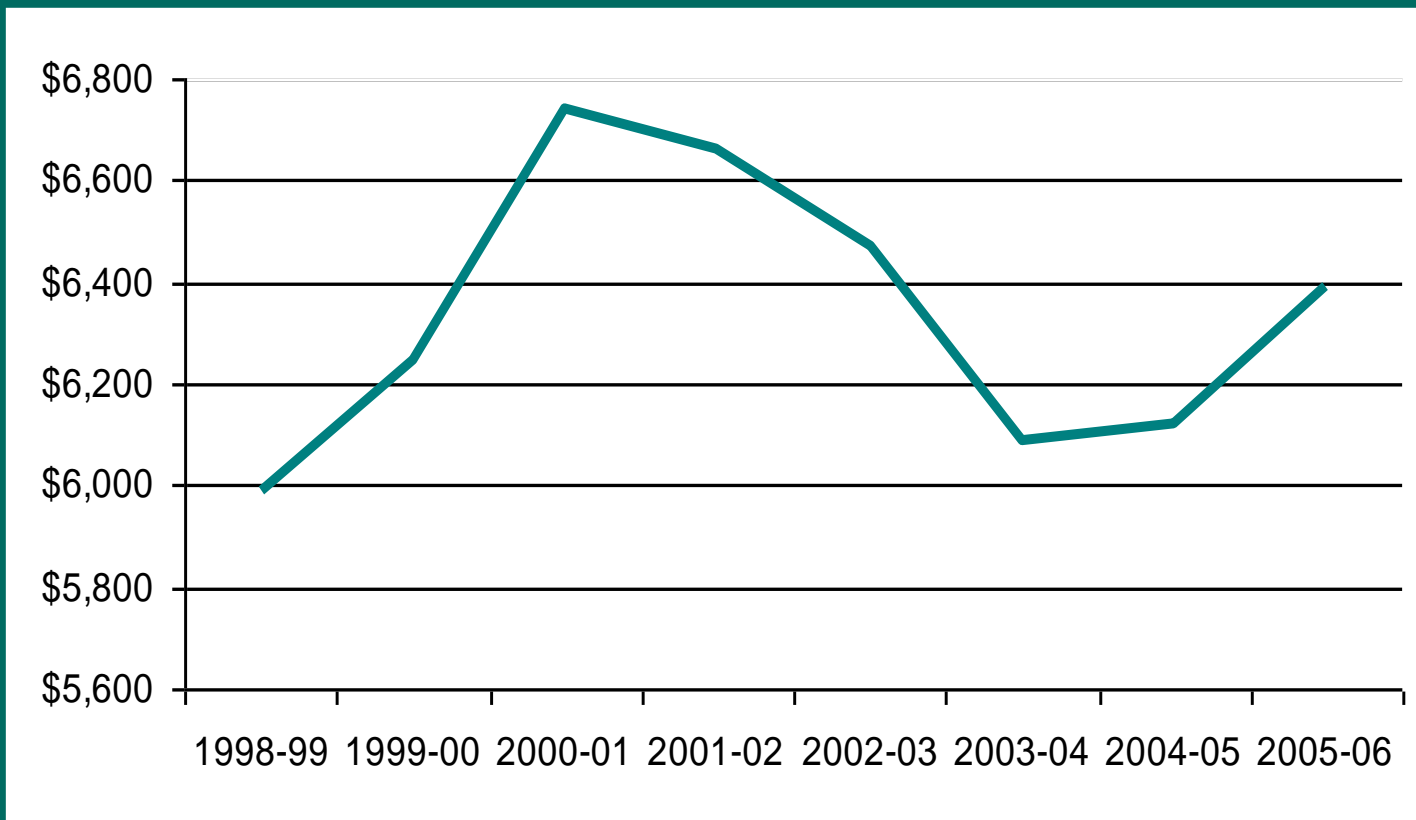
Source: Governor's Budget Summary 2004-05 and 2005-06, and enacted State Budget 2005-06. Figures not adjusted for inflation.



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# State Investment per FTES

(across all segments, not adjusted for inflation)



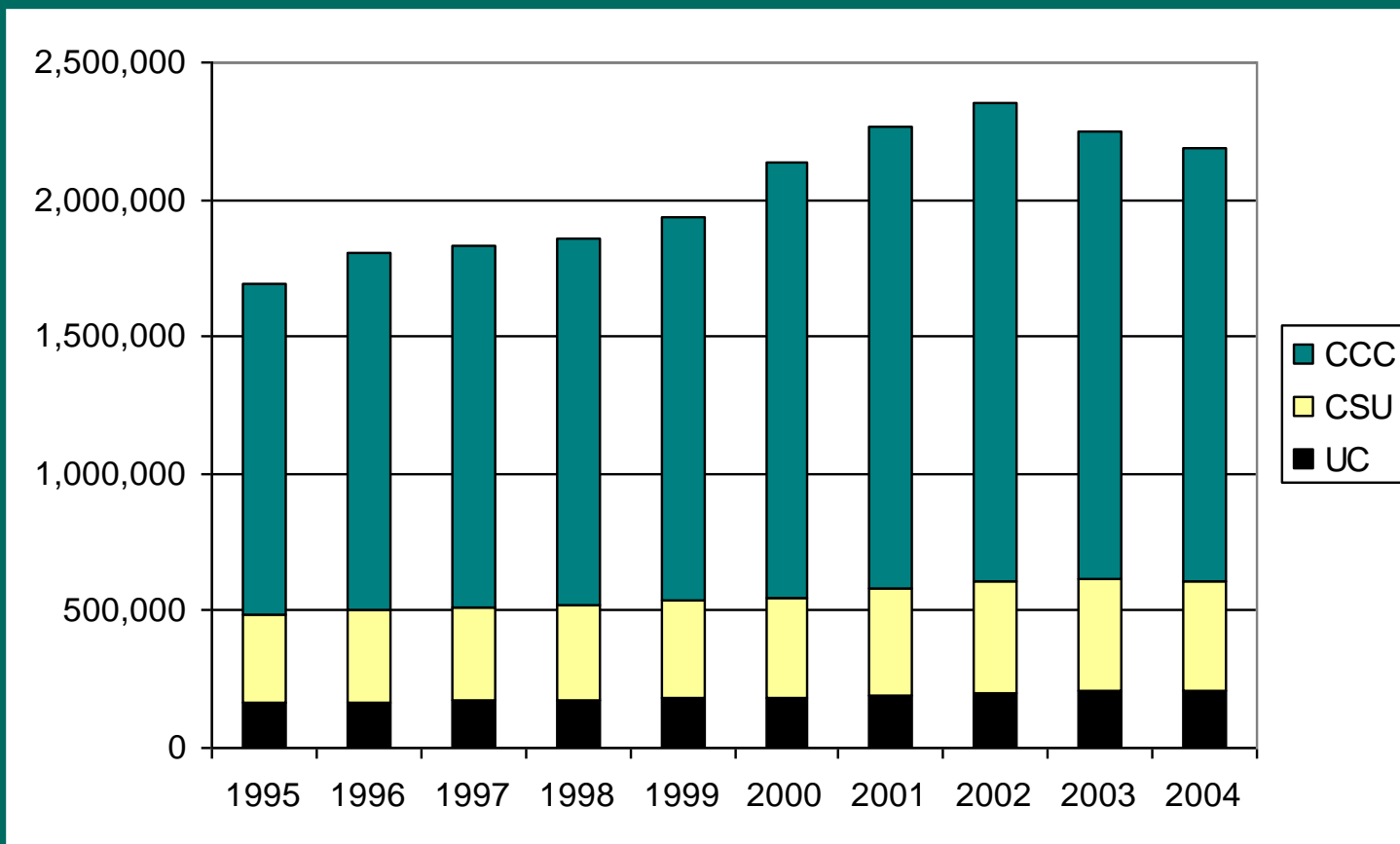
Source: Governor's Budget Summary, 2004-05 and 2005-06

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# Total Enrollment by Segment





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# California's Higher Education Performance

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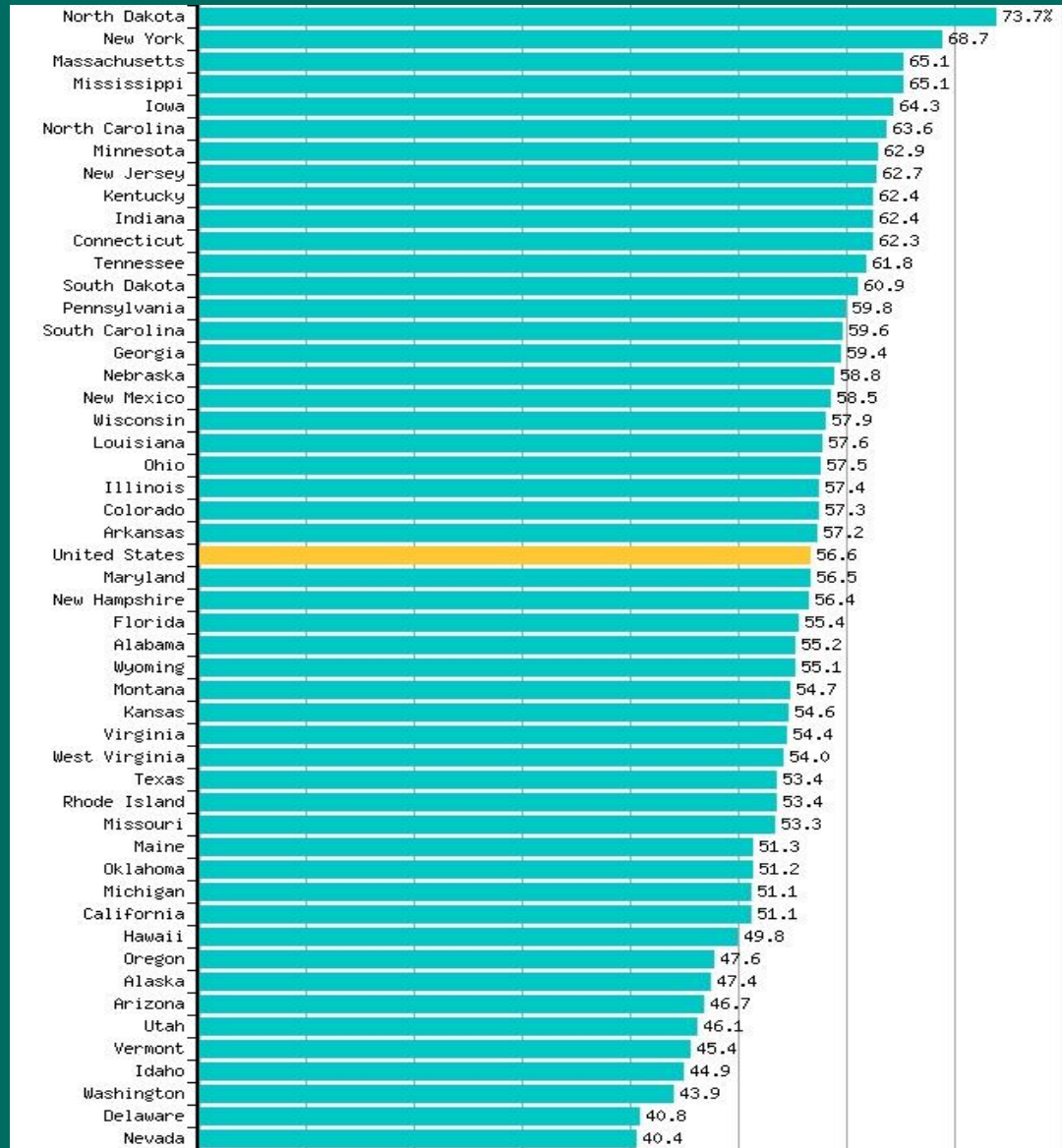
## California's Performance Problems

- Preparation: lowest quartile in proficiency scores
- Participation: part-time, delayed enrollment
  - Lowest quartile in direct enrollment from h.s.
  - 36<sup>th</sup> in 9<sup>th</sup> graders' chance of college by age 19
- Completion:
  - The upside – good graduation rates for full-time students beginning in UC/CSU
  - The downside – 4<sup>th</sup> from bottom on degree completion as a share of enrollment
- Large gaps across regions and racial/ethnic groups



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# College Going Rate Directly from High School

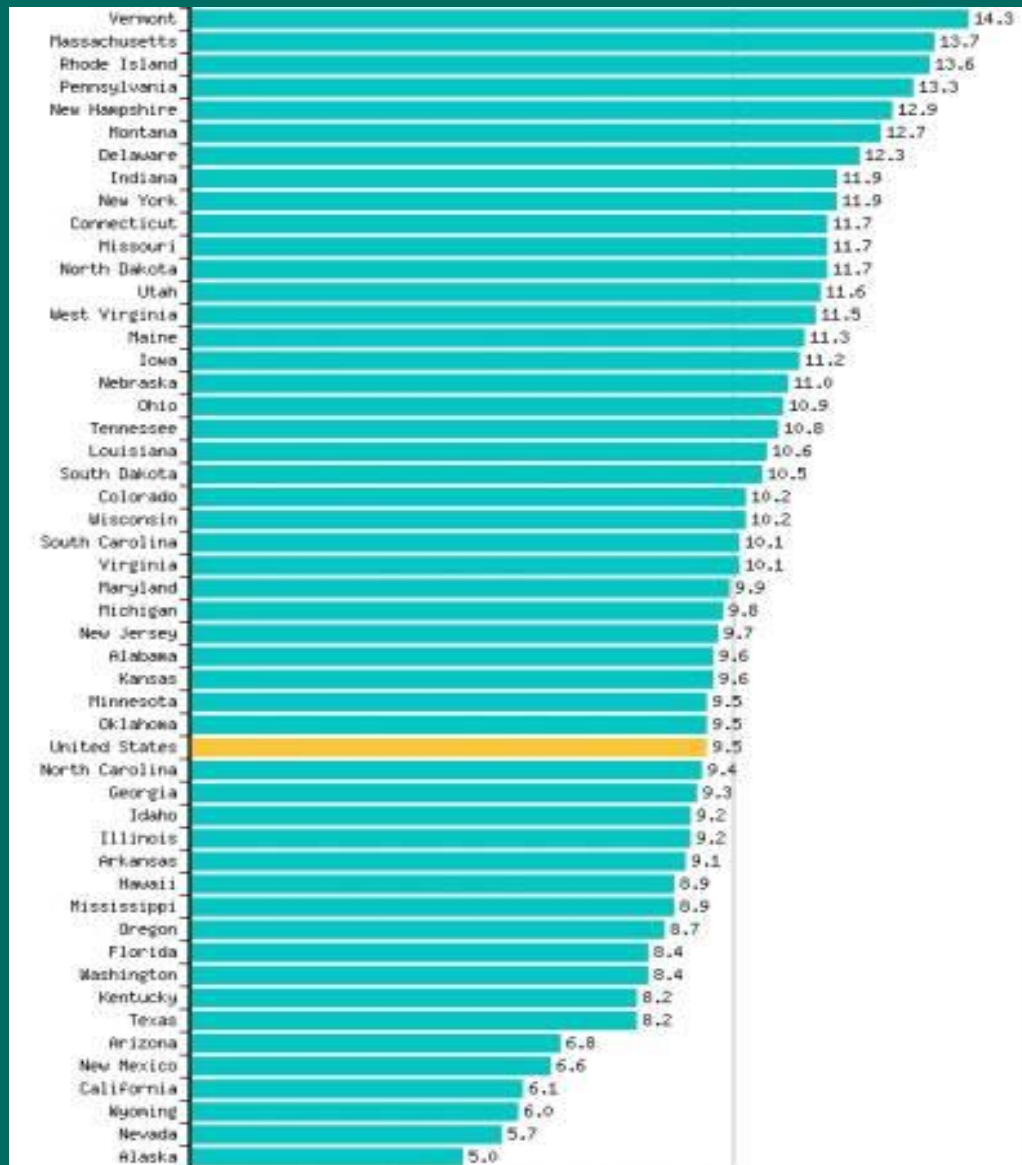


Source: Tom Mortenson, Postsecondary Opportunity



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# BAs Awarded per 100 Undergraduates



Source: NCES - IPEDS Enrollment and Completions Surveys



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## College Participation by Race/Ethnicity

Racial/Ethnic Group	Percent of 18-24 Year Olds in College	Percent of Adults Ages 25+ in College
Asian / Pacific Islander	60%	9.1%
White	43%	5.8%
Black	32%	8.8%
Latino	22%	5.4%

Source: US Census 2000, Summary File 4, Table PCT63



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# Undergraduate Participation Rates by Segment

(Ages 17-24, Fall 2002)

	White	Asian	Black	Latino
<b>Men:</b>				
UC	3.6%	10.9%	1.2%	0.9%
CSU	5.8%	9.9%	3.5%	2.2%
CCC	20.8%	29.0%	18.7%	13.5%
<b>Women:</b>				
UC	4.2%	13.2%	2.1%	1.4%
CSU	8.1%	11.6%	6.2%	4.2%
CCC	25.8%	27.0%	23.6%	18.7%

Source: Calculated based on enrollment data from California Postsecondary Education Commission and population data from California Department of Finance

Note: Rates do not reflect enrollment in private or out-of-state institutions

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# Higher Education Enrollment over the Next Decade

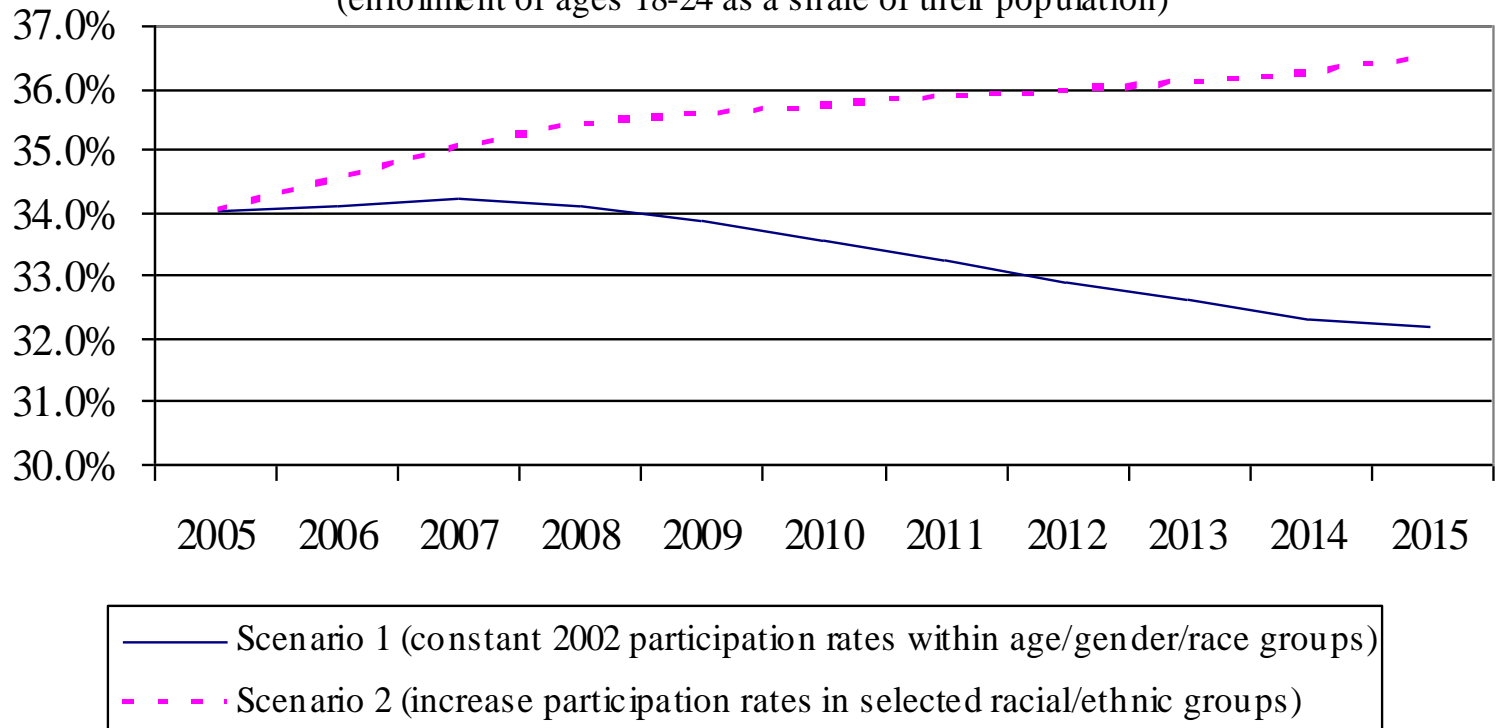
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### Figure 1: Alternate Projections of Undergraduate Participation Rates

(enrollment of ages 18-24 as a share of their population)





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## Summary Findings on Enrollment

- Participation rates vary dramatically by race/ethnicity -- Latinos have the lowest rates
- Scenario 1 is untenable as a plan
- Scenario 2 estimates growth at 2% to 3% per year through 2010
- State's official enrollment projections estimate approximately this magnitude of growth
- Scenario 2 would require stepped up interventions but we need to plan for it
- More explicit attention is needed to increase participation among underrepresented populations





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# How to Pay for Increasing Enrollment

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## Instructional Cost Per FTES

	<u>UC</u>	<u>CSU</u>	<u>CCC</u>
Undergraduate	\$15,897	\$10,874	\$4,695
Graduate	\$23,845	\$13,593	

Includes all of the “instruction,” “academic support” and “student services” portions of the segment budgets and a prorated portion of administrative costs. Excludes research and public service. Five-year average over 1999-00 to 2003-04.



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## Summary of Cost Findings

- Instructional costs in UC, CSU, CCC
  - 2004-05: \$12.3 billion
  - 2015-16: \$15.5 billion (26% increase)
  - Alternative CCC funding: \$19.9 billion (62%)
- Additional costs: capital outlay, research, public service, teaching hospitals, student aid (for students in public and private institutions)
  - 2015-16: \$19.3 billion

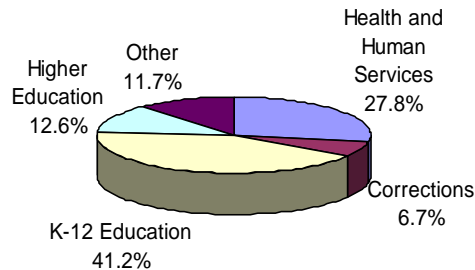


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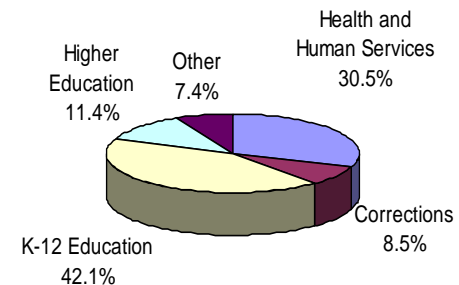
## Prospects for Increased State Funding

- Over the last several years, higher education's share of the state budget has declined.
- Meeting the costs *entirely* from increased state appropriations would take a major shift in state priorities and require difficult choices.

2001-02



2005-06





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# Efficiency

- A loaded word – importance of language
  - Not about cutting budgets; working harder
  - Is about best return on any level of investment
- Institutional efficiencies
- Systemic efficiencies
  - Less controversial
  - More opportunity
  - Dependent on policy change



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## Systemic Efficiency

- Efficient movement of students within and across segments; more return on investment
- Two types of cost impact
  - Reduce higher ed costs
    - By reducing units-to-degree (FTE)
  - Increase higher ed costs (but save State General Fund)
    - By increasing graduation/completion rates



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## Prospects for Efficiency Gains

- Institutional efficiency – easy cuts already made
- Systemic efficiency – significant opportunities
  - High rates of remediation
  - Transfer system needs improvement
  - Little systematic K-16 collaboration
  - CCC assessment and placement
  - Retracting on dual enrollment
- Obstacles to policy changes
  - Lack of statewide leadership for policy change
  - Collaboration across segments historically weak



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## Students' Share of Instructional Costs

	“Charged”	Collected
UC	36%	29%
CSU	29%	24%
CCC	12.5%	7%
Total		21.5%

- Must discount “charged” fees by state costs for:
  - Cal Grant
  - Campus-based grants (UC and CSU)
  - BOG fee waivers (CCC)

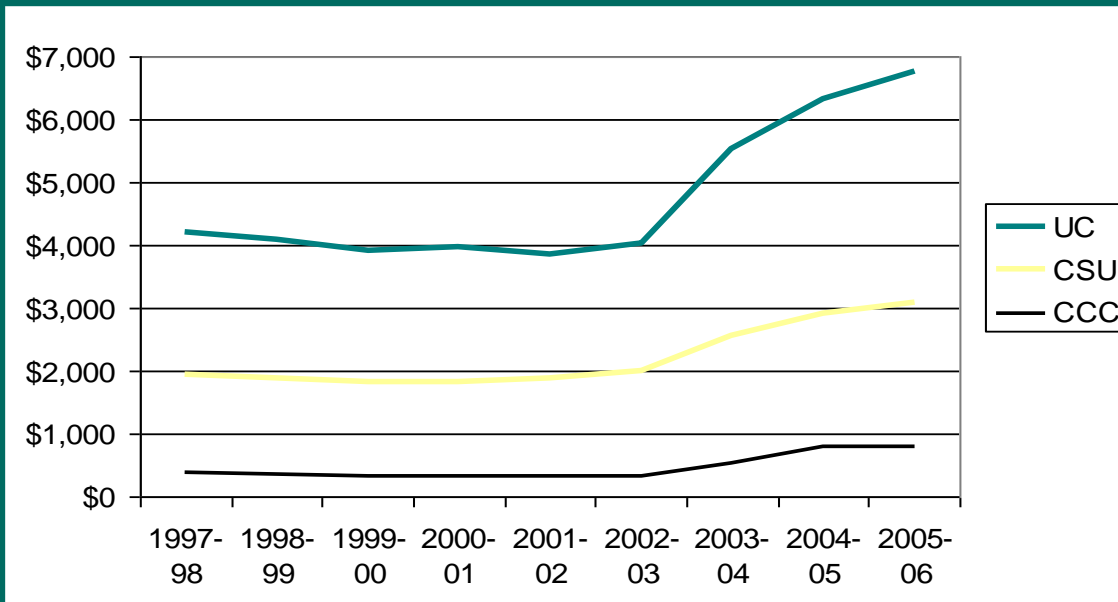




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# Trends in Student Fees

(not adjusted for inflation)



	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
UC	\$4212	\$4089	\$3903	\$3964	\$3859	\$4017	\$5530	\$6312	\$6769
CSU	\$1946	\$1889	\$1830	\$1834	\$1876	\$1998	\$2572	\$2916	\$3102
CCC	\$390	\$360	\$330	\$330	\$330	\$330	\$540	\$780	\$780



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# Student Fees Compared to Other States 2004-05

		Comparison Institutions		
	Undergrad Fee	Average	Highest	Lowest
UC	\$6,312	\$7,341	\$8,722	\$5,907
CSU	\$2,916	\$5,656	\$8,869	\$3,034
CCC	\$780	\$1,905		

Notes: Fee information from LAO *Analysis of the 2004-05 Budget Bill*. Data for comparison institutions is for 2003-04. National average community college fee as reported in The Almanac of Higher Education 2004-05.



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## Student Fee Revenue as Part of the Solution

- A paradigm shift for California values
- Legislature beginning to consider fee policy models
- Must be considered in context of financial aid (public and private institutions)



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# Conclusions and Recommendations

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## Summary of Major Findings

- State needs to plan for:
  - substantial enrollment growth
  - substantial increase in revenues
- Costs can be reduced by efficiencies – systemic efficiencies are most hopeful
- Fee policy is needed – can help with access as well as affordability
- Shared solutions appear well within reach



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## Recommendations

- Need for leadership to support statewide planning and policy change
- State needs
  - Strategic plan: state goals, policies to achieve
  - Finance plan: costs to achieve goals, how to meet costs through state investment, fees, efficiencies
  - Accountability plan that focuses on statewide outcomes consistent with the strategic plan



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# Governor's Compact

- A reasonable starting point:
  - enrollment growth funding to ensure access
  - adjustments to cover cost increases
  - some mention of efficiency
  - some stability in fee levels

**BUT:**

- Community colleges not covered
- Financial aid to private institutions not covered
- Does not propose an actual fee policy
- No plan for efficiency gains