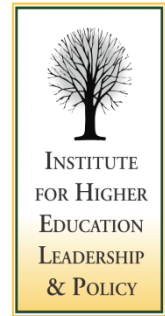




California State University, Sacramento
 Institute for Higher Education Leadership & Policy
 6000 J Street • Tahoe Hall 3063 • Sacramento, CA 95819-6081
 T (916) 278-7249 • F (916) 278-3907 • www.csus.edu/ihelp



Nancy Shulock, Executive Director
 Institute for Higher Education Leadership & Policy (IHELP)

Joint Information Hearing on Accountability for Postsecondary Education Performance
 Senate Committee on Education/Senate Budget and Fiscal Review Subcommittee No. 1

Testimony Regarding Meeting Public Needs: Cost, Affordability, Efficiency
 February 26, 2014

Meeting Public Needs

- This hearing appropriately calls for identifying public needs and considering how well they are being met by current policies and institutional missions
- Reflects a shift from typical discussions of finance that examine each segment separately
- I was asked to address *cost, affordability, efficiency*
- In the few minutes allowed, I offer only a brief snapshot, highlighting what we know and what we would need to know in order to better inform fiscal policymaking
- Key state context
 - Projected shortages of educated workers call for substantial increases in degrees and certificates above current trends
 - Distribution of enrollments and opportunities to increase student success point to largest roles for CCC and CSU

Fall 2012 Headcount Enrollment

CCC	1,582,186	70.1%
CSU	436,560	19.4%
UC	236,691	10.5%
Total	2,255,437	100.0%

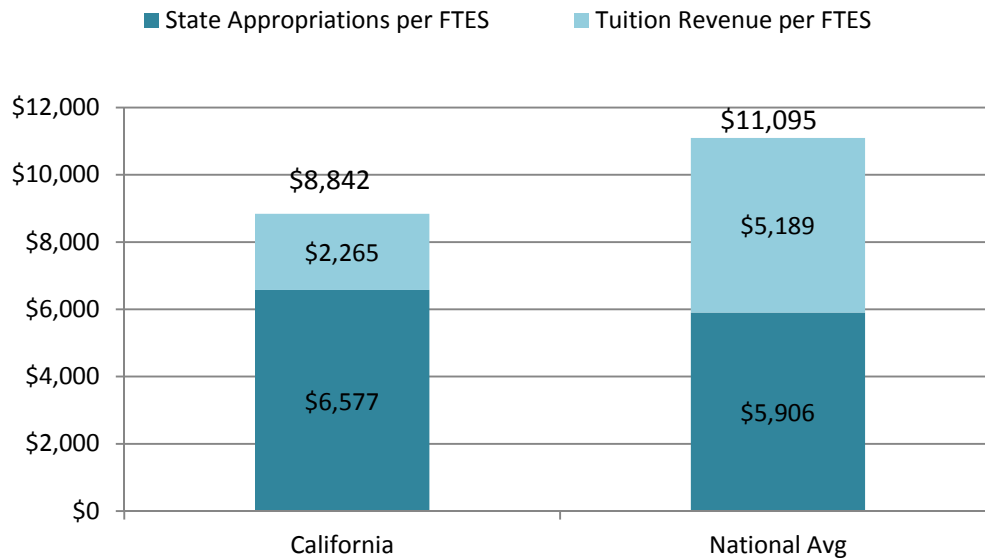
I. Cost (including the adequacy of investments in quality higher education)

What we know about spending (inputs):

- State appropriations are average or better on several measures
 - State appropriations per FTES – 11% above national average
 - State appropriations per capita – rank #13 among states
 - State appropriations per \$1,000 of personal income – rank #19 among states

- But steady decline in higher education’s share of General Fund
 - 17% in 1960s/1970s
 - 12% in 2013-14
- Rank #47 among states in *total* revenues per full-time-equivalent student
 - *Above* average state appropriations
 - *Well below* average tuition revenue due to small CCC tuition revenues in segment that serves 70% of students (about half of whom pay no fees)

Lower Tuition Collections Account
for Lower Total Revenues for California



Source: State Higher Education Executive Officers, *State Higher Education Finance FY 2012*

- Wide variation in spending per student (“Education and Related” expenditures)
 - Spending per full-time-equivalent student (FTES) in UC > CSU > CCC
 - Above national average for UC and CSU
 - Below national average for CCC
 - Biggest variation across sectors of any state in E&R spending per FTES

What we know about spending (outcomes)

- High benefits from higher education
 - Rank #1 in wage premium of degrees compared to high school diploma
 - Rank #12 in per capita income
- But only average on educational attainment of the population
 - Rank #25 in ages 25-64 with associates degree or higher
 - Rank #15 in ages 25-64 with Bachelor’s or higher
 - Rank #29 in ages 25-34 with associates degree or higher
 - Rank #25 in ages 25-34 with Bachelor’s or higher

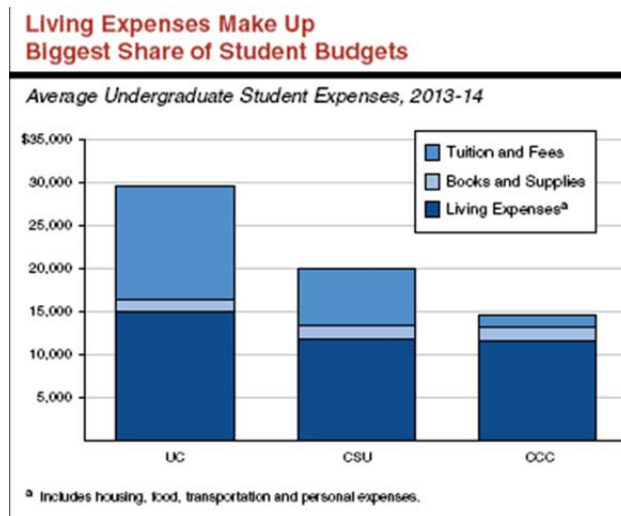
What we don't know about costs, but should

- What are the costs of quality education for various types of awards for various students?
 - We know more about what we spend than what we might or should spend
 - Does spending = cost?
- What are the costs at each segment to educate undergraduates/lower division?
- Are the differences in spending by segment justified by mission difference or do they reflect a mismatch between mission and resources?

Affordability

What we know about affordability

- By some national measures, CA is still doing well: rates of borrowing, debt levels, state financial aid targeted at low income students; but affordability trends are downward
- State performs poorly on share of family income needed to pay for college, especially CCC
- Tuition is not the largest part of total student costs



Source: Legislative Analyst's Office, Analysis of Higher Education Budget, 2014-15

- But tuition is a significant cost at UC and CSU and increases have been substantial
 - UC and CSU tuition have more than doubled in last 10 years
 - Still below public comparison institutions
- CCC fees still lowest in nation
 - Half of students pay no fees; 60% of course credits are taken at no cost (fees are waived)
 - Low fee/fee waiver policy has much greater negative impact on revenues than a positive impact on affordability

- Students' share of costs have increased greatly (state share has decreased)
 - Across all segments, share of combined (tuition revenue + state appropriations) funding coming from tuition doubled from 13% to 26% in last ten years
- Shares vary by segment

Share of Core Funding
Coming from Tuition, 2013-14

UC	45%
CSU	41%
CCC	6%

Source: Legislative Analyst's Office Analysis of Higher Education Budget, 2014-15

- Boom and bust cycle of fees to backfill budgets impedes planning and defies rationality

What we don't know or haven't decided about affordability, but should

- What is a reasonable and fair share for students/families and for taxpayer subsidy?
- Should that share vary by institution? By program? By type of degree?

Efficiency

What we know about efficiency

- Efficiency is problematic to assess without better understanding of quality
- Cost per degree reflects spending levels per student, completion rates, time/credits-to-degree
 - Costs per degree at UC are above national average
 - Costs per degree at CSU are below national average
 - Costs per degree/certificate at CCC are above national average (most transfer students do not earn associate degrees)

What we don't know or haven't decided about efficiency, but should

- What is the cost to produce a degree at UC, CSU, CCC via transfer, privates? (a better basis for fiscal planning than cost per enrolled student)
- What do UC and CSU spend on undergraduate students, particularly on lower division students for comparison with CCC?
- What is the most efficient way to increase degrees and certificates in the fields and regions where they are needed?
- How would various models of online delivery affect these costs?

Conclusion

A “public needs” approach to accountability requires better information on costs, a focus on cost per degree/certificate, and better means to understand the relationship of spending to quality so that efforts to meet goals for more degrees and certificates will not compromise quality.