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Overview: Financial Landscape of Public Higher Education: A Plenary Response.

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NCSCBHEP – 39th Annual National Conference

APRIL 2, 2012: (CUNY Graduate Center)

Plenary. Overview: Financial Landscape of Public Higher Education

9:15 - 10:15 AM Proshansky Auditorium 45 minutes

Introduction: Marcia Keizs, *President, York College, City University of New York*

Jane V. Wellman, *Executive Director, National Association of System Heads (NASH), and Founding Director, Delta Project on Postsecondary Costs,*

Productivity & Accountability

Respondent: Angelo Armenti, Jr., President, *California University of Pennsylvania*

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A Respondent Responds

I look up key words in a dictionary before I write a paper or give a presentation. For today, I looked up "fiscal policy" and saw that: "In economics and political science, fiscal policy is the use of government expenditure and revenue collection (taxation) to influence the economy." I think I knew that one.

I then looked up "respondent," the official title for my role today, and learned that: "A respondent is a person who is called upon to issue a response to communication made by another." I knew that one also. But the synonyms for 'respondent" are "defendant, accused & plaintiff," suggesting that, after my remarks, I may have to throw myself on the mercy of the court assembled before me. I accept those terms.

The title of Dr. Wellman's presentation is "**Public policy, tuition, attainment, and facts about those 'out of control' college costs."** For time reasons, I will focus on just the first area: "public policy."

Appropriate to her position as Executive Director of the National Association of System Heads (NASH), hers is a national perspective, taking in all 50 states. Mine encompasses just one of those states, Pennsylvania, which I have experienced from both the private university and public university points of view.

If there is a "fractured" conversation at the national level, that might be because the states are so different in both the type and severity of the problems faced, and the scope and daring of the solutions proposed or implemented.

In Pennsylvania, on the other hand, the conversation isn't so much fractured, in my opinion, as just begun. There has been some conversation about the nature of the "problem," with most folks, but not the Governor, coming down on the "shrinking State support" side of the conversation, but very little conversation about solutions —except for "more state support," which is almost certainly not likely to occur with the current state of the Pennsylvania economy (See Chart 1.)

Public Policy

Public policy, in the case of public higher education at the state level, manifests itself in two distinctly different ways: the first is "ideal;" the second is "real:"

- The first is seen in the laws enacted by the legislature and governor, and
- The second is seen in what happens in that particular state over time.

In Pennsylvania, the statutory mission for the State-owned universities is to provide **"…high quality education at the lowest possible cost to the students."**

The evidence (Chart 2) shows three fairly distinct phases in terms of constant E&G dollars/FTE Student—a generally accepted proxy measure for academic quality: An improvement phase (1988 to 1996), a short plateau phase (1996 to 2002), and a defunding phase (2002 to 2012). This latter phase suggests that the **"High quality"** end of our statutory mission is "under attack."

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The financial aid data shown in Chart 3 reveal that the **"lowest possible cost to the student"** end of our statutory mission statement is also under attack.

Taken together, the above three charts lead inexorably to three conclusions about public higher education in Pennsylvania:

Conclusion 1: **California University of Pennsylvania (Cal U) and all the "public" universities in Pennsylvania are being privatized without a plan.**

Conclusion 2: **The "business model" under which PASSHE universities currently operate is financially unsustainable and, without changing key policies that drive that business model, PASSHE universities will face severe financial distress and bankruptcy in the near term.**

Conclusion 3: **Although the PASSHE universities were intended to carry out the mission spelled out in Act 188 of 1982: "…to provide *high quality education* at the *lowest possible cost to the students*," the rapid decline in Commonwealth funding, compounded by *key operating policies*, portend mission failure, both with regard to providing high quality education, as well as with regard to providing the lowest possible cost to the students.**

Detailed evidence in support of these three conclusions was presented as an invited Keynote Address at the Fall 2010 Pennsylvania Association of Councils of Trustees (PACT) Conference at Kutztown University, and may be found on the Cal U website at the following link: http://www.calu.edu/about-us/meet-the-president/presentations/index.htm.

Concluding Remarks

At this time my university, Cal U, is basically 75% private as far as state funding is concerned. That is, the state share of our operating budget is now about 25%, with students paying 70% and private donors paying 5%. However, despite these figures, students and donors have little influence over the key decisions that are made with respect, e.g., to tuition rate increases or levels of state grant support.

Because of the great disparity in the income levels of the families our students come from, the current "low tuition for all" policy is not working on either end of the family income distribution. Our poorest students, from families earning less than $40,000/year (average of $18,000), are saddled with enormous debt upon graduation, and our wealthiest students, from families earning more than $100,000 per year (average of $136,000) are receiving a state subsidy.

It is clear that a totally new governance structure is needed to give a voice to those stakeholders, primarily students, who are now bearing the largest burden of the costs of education.

Currently the public universities in Pennsylvania are being privatized without a plan. I, for one, believe that the privatization is inexorable and that there is little anyone can do to reverse the 30-year disinvestment in public higher education. I say that primarily because of the dismal demographic trends between 1950 and 2000, in which the percentage of households in America with at least one person 18 or younger living there fell from 57% to 34%. This means that, by the year 2000, fully two-thirds of the voting households in America could no longer benefit directly from public higher education and, it is safe to say, don't want their taxes raised to send someone else's son or daughter to college.

For empirical confirmation of that hypothesis, please check out Chart 4, which shows how Pennsylvania has been spending its money over the last 20 years. It is clear that our elected officials know of our demographic trends and are spending the state's limited resources in areas other than public higher education, primarily corrections (prisons) and healthcare (Medicaid).

Finally, the shifting of funds from higher education to Medicaid in Pennsylvania, as depicted in Chart 4, has been happening in other states as well according to Peter Orszag, former head of the Congressional Budget Office, who was quoted in the *New York Times* on September 18, 2010:

> "Over recent decades, as state governments have devoted a larger share of resources to rising costs of Medicaid, the health care program for the poor, they have cut support for higher education."

It is critical for those of us: a) who accept the compelling role of demographics in a republic based on majority rule; and b) who care about preserving the mission of public higher education —high quality education at the lowest possible cost to the students—to initiate a very serious conversation about what privatization with a plan should look like in order to secure the support of a majority of public higher education's stakeholders.

I look forward to being a part of that much-needed discussion.

Thank you.



Angelo Armenti, Jr.

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