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The Master Plan at 50: Connecting Financing With Statewide Goals for Higher Education

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Joint Committee on the Master Plan for Higher Education

Hon. Ira Ruskin, Co-Chair

Hon. Gloria Negrete McLeod, Co-Chair

Testimony by Steve Boilard

I've been asked to discuss how higher education financing can better be connected with statewide goals.

The Master Plan expresses concern with cost increases in higher education and the state's ability to pay for them. It's party because of those concerns that the Master Plan constricted admission to the universities and redirected enrollment to the CCCs. And because of those concerns the Master Plan sought to manage the expansion of campuses through better planning, review, and oversight, and through the promotion of year-round operations. These days it's fair to say that there are once again concerns about the costs of higher education and the state's ability to pay for them. And so it's appropriate and timely for the Joint Committee to be re-examining these questions, with a particular focus on how to better connect state financing with statewide goals.

Notwithstanding its concerns about financing higher education, the Master Plan doesn't say much about how higher education should be financed, other than to acknowledge that it's a shared responsibility between students and the state. And, as you've noted over the course of these hearings, the Master Plan isn't that specific about statewide goals, either — beyond very general principles of affordability, access, and quality.

Over the past several months, this Joint Committee has spent considerable time in an effort to define the state's higher education needs in the 21st century, and to assess how well state policies are aligned to meeting those needs. You've heard some success stories of how impressive gains are being made in some areas of higher education, as well as some serious challenges that face the state. I think one of the themes has been that, while individual programs, campuses, and segments are doing some remarkable work, those efforts are not well coordinated toward the achievement of overarching state goals.

Given the relative autonomy of the segments' governing boards, state funding mechanisms are one of the key levers the Legislature has for promoting state goals in higher education. You've heard how other states have adopted a variety of ways to link funding to goals — from creating better financial incentives for improving student success, to providing higher funding rates for higher-priority degrees, all the way to explicitly linking funding to specific outcomes such as graduations or transfers. (And later this morning you will hear some more examples.) There are a number of details that would need to be worked out if you were to change the state's current financing rules, and you'd certainly want to be attentive to the possibility of unintended consequences, but improvements are certainly possible, and probably necessary, given the need to make state dollars work smarter. In other words, as the state finds its way out of the current budget crisis, it will be important not simply to go back to "business as usual." New investments in higher education should be made thoughtfully — not simply as a "restoration" of the old funding system — with an eye toward restructuring higher education finance for the workforce and educational needs facing the state.

One key financing reform would be to better integrate state appropriations for core educational programs with student fee/tuition levels and with financial aid funding. At an earlier hearing, David Longanecker with WICHE promoted this approach as "ATFA" — Appropriations, Tuition, and Financial Aid. Unfortunately, California tends to treat these three policy areas separately, without sufficient attention to how they interact.

Nominally there's the "linkage" between Cal Grant award levels and fees at UC/CSU. But the Governor has periodically proposed decoupling Cal Grants from public sector fees. And there is no longer any meaningful policy basis for the maximum Cal Grant for students attending independent institutions.

The state's approach to community college fees also illustrates inadequate attention to ATFA — Fees are not often thought of as a funding source for community college programs. As a result, there is inadequate attention to how the community colleges' lower-than-average per student funding is not due to lower than average state investments, but rather it's due to low fees. Or how the system's unusually low fees leave much federal American Opportunity Tax Credit funding on the table.

Further, the various financial aid programs are not well coordinated with each other. Over a billion dollars in campus-based institutional financial aid is invisible to the state Cal Grant programs. And some state waiver programs are waiving fees that, if charged, would be covered by federal aid programs. As a final example, the Governor's "compact" with UC and CSU treats revenue from fee increases as somehow separate from state budget decisions for the universities.

It's a critical time for the state to thoughtfully and intentionally align its financing mechanisms with its higher education goals. Yes, the budget crisis has disrupted higher education funding, but this underscores the urgency of putting whatever funding is available to its highest and best use. It also speaks for the need to coordinate these efforts from a statewide level, to ensure the continued integration of the overall higher education systems. The various efforts by the segments to pursue their own changes — such as UC and CCC's "Commissions on the Future," or the Intersegmental Coordinating Council's effort to improve enrollment and degree completion— are worthy efforts that may help the segments with planning, but they are no substitute for a comprehensive, cohesive funding policy at the state level. This may be among the most important outcomes that the Joint Committee could pursue.