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Declining Public Support for Public Higher Education in Pennsylvania

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Although this presentation will focus, as its title suggests, on historical funding trends for public higher education in *Pennsylvania*, its observations and conclusions also apply, I believe, to what is happening to public higher education across most of America today. By way of background, California University of Pennsylvania (Cal U), founded in 1852, is one of the fourteen *state-owned* universities and former state teacher's colleges (and, before that, state normal schools) that comprise the Pennsylvania State System of Higher Education (PASSHE).

As I contemplate the decline in public financial support for *my* institution over the sixteen years since I arrived as president in 1992, I can state without fear of contradiction the following Assertion: California University of Pennsylvania is being privatized without a plan. The truth of this Assertion has implications for our University, our students, and most especially for our faculty, and those implications are challenging, inexorable and increasingly obvious.

This presentation has three parts. Part 1: Making the case for the truth of the Assertion; Part 2: Identifying some of the implications of the Assertion being true; and Part 3: Suggesting a viable strategy for the future.

The troubling nature of the challenges we face may readily be seen in the Commonwealth funding trends over time [See Charts 1 - 4.] The inexorable, 25-year decline in State funding reflected in those charts is interesting for several reasons, but none more so than the following:

- This disinvestment in public higher education occurred independently of the political affiliation of the governor and/or that of the majority in control of the House or Senate at any given time over those 25 years, i.e., it happened under *both* democrats and republicans!

An explanation for how this disinvestment could have occurred—independently of whether the Democrats or Republicans were in charge—may be seen in our rapidly changing demographics: In the 50s and 60s *two out of every three* households in America had at least one person 18 years of age or younger (i.e., someone who could benefit *directly* from public higher education). Today, only *one out of three* households has someone 18 or younger. It would seem logical then that full funding of public higher education might become a *secondary* priority as

soon as elected officials of both parties realized that the majority of voting households no longer benefitted directly from public higher education and, in fact, that the majority of households, and hence voters, may have had (and as the evidence would later suggest, definitely did have) quite different concerns such as, for example, crime and health care [See Charts 6 and 7.] It could have been different of course *if* we as a society had decided—despite the changing American demographics—that public higher education was still a public (as opposed to a private) good, and that it was in everyone’s best interest to provide an affordable public college education for every son or daughter, not just our own. But as Charts 6 and 7 clearly show, Pennsylvania’s elected officials shifted the state’s budget priorities *away* from public higher education in a recent sixteen-year period (between 1990 and 2006) by drastically reducing the share of the Commonwealth budget devoted to public higher education from 7% to 4%, a drop of 43%!

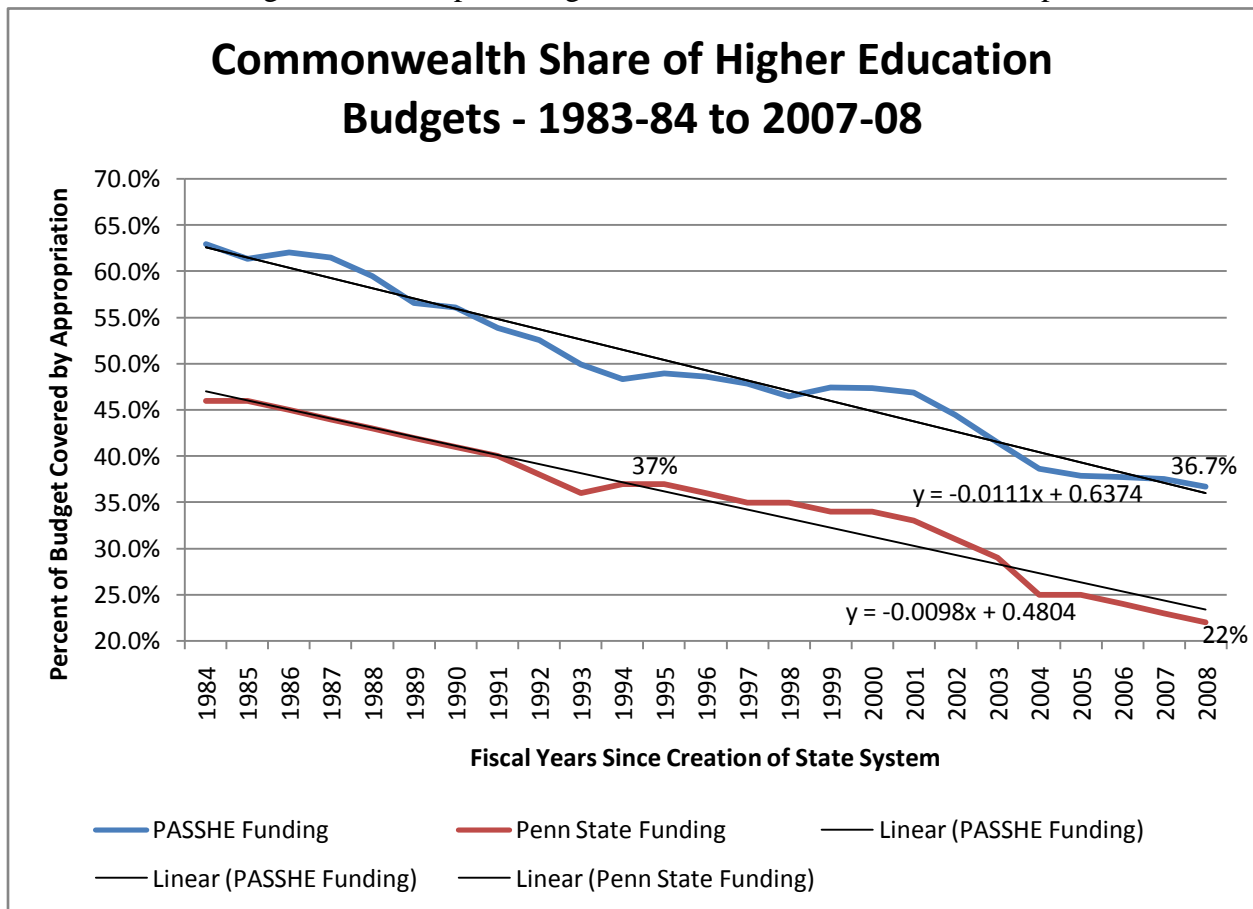


Chart 1. Nearly parallel twenty-five year funding trends for Penn State and PASSHE. In FY 2008 Penn State received 22% of its E&G budget from the Commonwealth, while California University and the other PASSHE universities received about 36.7%, similar to what Penn State received just thirteen years earlier. At current trends, Penn State can expect its budget share to fall to zero by 2033, just 25 years from now! Also, if as expected, the above trends continue California University (because of its steeper decline slope) can expect to see its budget share from commonwealth funding drop to zero in 2041, just 33 years from now and only 8 years after Penn State! This prompts the obvious question “At what percentage of State funding does a ‘state-owned’ university effectively become private?” The answer would certainly seem to be “Long before State funding actually hits zero, i.e., long before the next 33 years have elapsed.”

In Chart 2 we see the 25-year decline in Commonwealth funding for Penn State, one of four so-called ‘state-related’ universities in Pennsylvania. Also shown is the concomitant increase in tuition, fees and other sources (primarily grants and dollars raised from private donors) needed to mitigate the decline in Commonwealth funding.

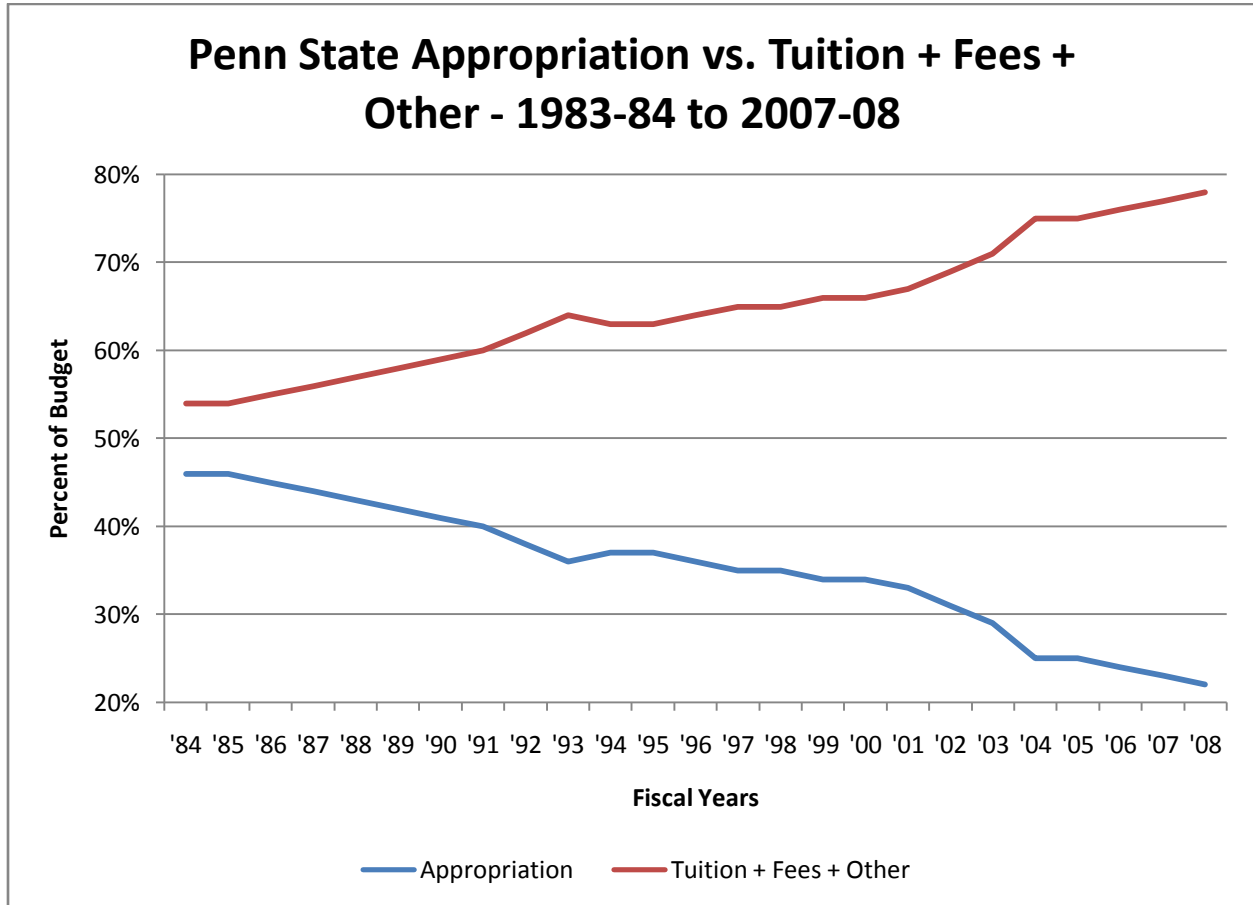


Chart 2. The twenty-five year decline in State funding for Penn State, one of Pennsylvania’s State-Related Universities. Unlike so-called ‘state-owned’ universities such as Cal U, Penn State and three other ‘state-related’ universities—which otherwise function essentially as private universities—have also seen steep declines in Commonwealth funding over the last twenty-five years.

In Chart 3 we see that in the 1984 fiscal year, Commonwealth funding provided almost two-thirds of PASSHE University budgets. By 1994, however, the State share had fallen below 50% for the first time, and the level of funding, despite some single-year fluctuations, has trended downward ever since, falling to 36.7% by 2008.

Part 1: Making the case for the truth of the Assertion

In order for the Assertion found at the beginning of this paper to be true, both aspects of the assertion would have to be shown to be true—first, that Cal U and the other PASSHE

universities are, in fact, “being privatized,” and second, that this very significant change in funding paradigm is, in fact, occurring “without a plan.” Let us consider the first aspect first.

Being Privatized

In Chart 1 we see a) that the 25-year funding trends for Penn State and the PASSHE universities are clearly declining and largely parallel, b) that Penn State’s funding from the Commonwealth declined from 37% in 1995 to 22% in 2008, c) that PASSHE’s funding declined from 64% in 1984 to 37% in 2008, and d) that PASSHE universities are lagging behind Penn State’s funding level by a mere thirteen years.

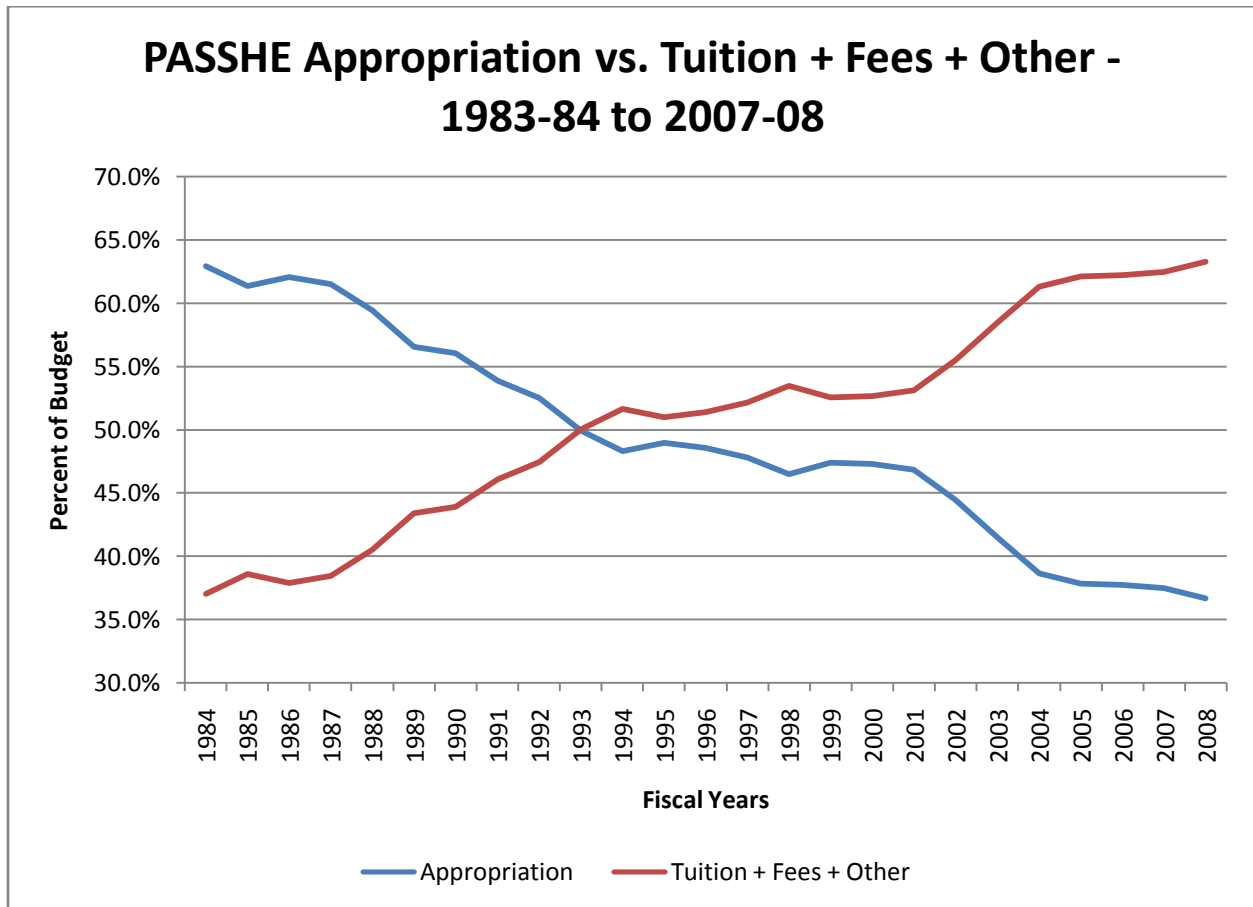


Chart 3. The twenty-five year decline in State funding for PASSHE Universities. While the ‘state-related’ universities (Chart 2) never received more than half their funding from the Commonwealth, the “state-owned” PASSHE universities have seen their share of State funding decline from about two-thirds in 1984 to a little more than one-third today, as the funding-level distinction between *state-owned*, *state-related*, and *private* universities continues to erode.

We can also see that, if we extrapolate the current funding trends into the future, Penn State can expect its budget share from the Commonwealth to fall to zero by 2033, just 25 years from now! Similarly, California University (because of its steeper negative slope) can expect to see its budget share from the Commonwealth drop to zero in 2041, just 33 years from now and only 8

years after Penn State would have been rendered *truly* private! This clearly suggests that the distinction (at least in terms of Commonwealth funding levels) between *state owned*, *state related* and *private* universities is rapidly evaporating.

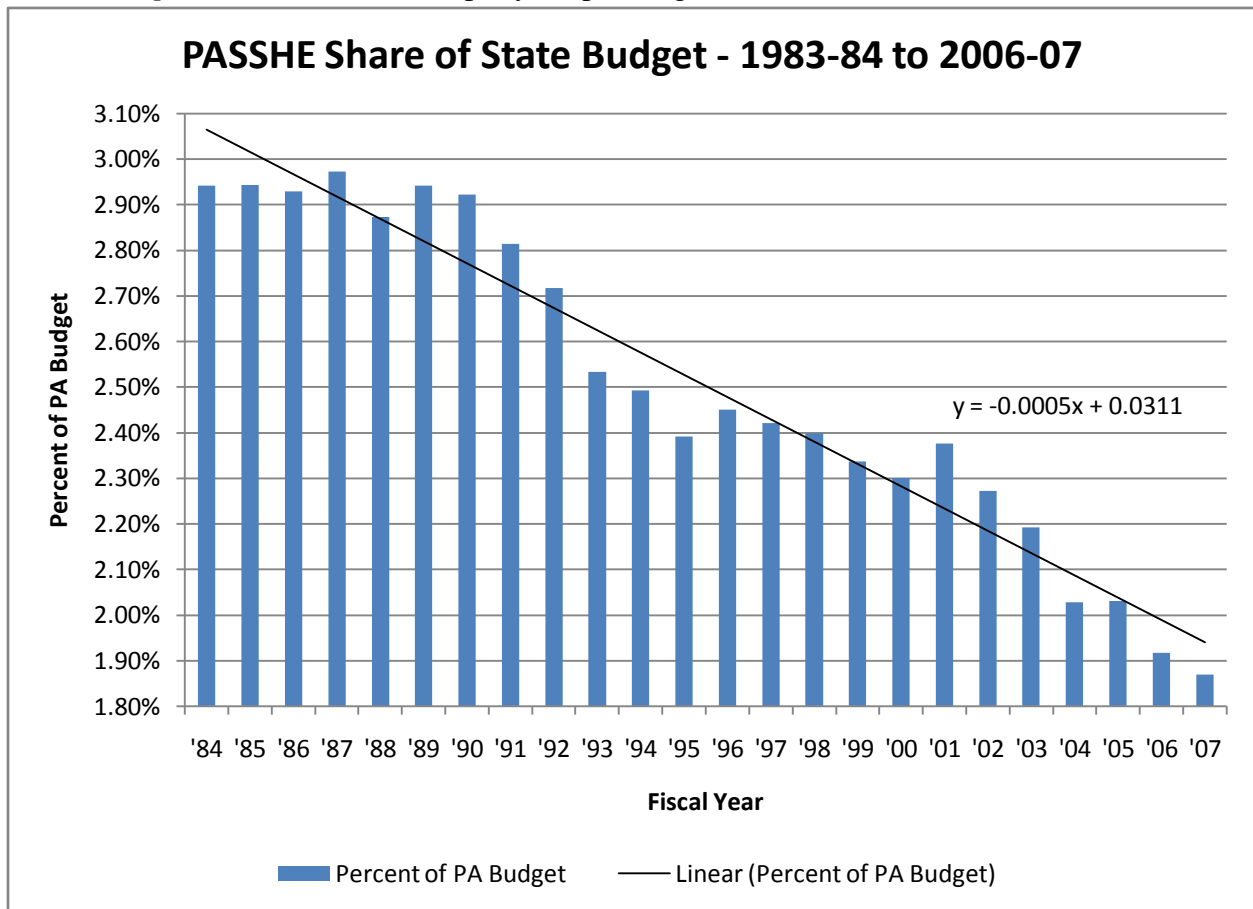


Chart 4. The 25-year Decline in PASSHE’s Share of the Commonwealth Budget. Although more volatile than Chart 1 (which tracked the share of *PASSHE university budgets* provided by State appropriation), this chart focuses on PASSHE funding as a share of the *Commonwealth’s budget*, one whose total value (the denominator in the above percentage calculations) waxes and wanes with variations in taxes collected and as a result, is very dependent on the overall state of the economy in a particular budget year.

Since Cal U and the other PASSHE universities are *today* functioning at the same level of State financial support as a state related university did just thirteen years ago, one can logically ask “At what level of State funding does a ‘state-owned’ university become ‘state related’—in terms of a release from, or at least some gradual reduction in, those State regulations from which state-related universities are currently exempt?” While it is both natural and logical to expect that the relatively high State funding levels of long ago *should* have been accompanied by relatively high levels of State regulation, it is equally natural and logical to expect that the large reductions in State funding over these last many years should have been accompanied by equally large reductions in State regulations, an expectation that not only has not happened; it has not yet even begun to happen; it has not yet even begun to be talked about publicly, perhaps until now.

Since Cal U’s budget share from Commonwealth funding is projected to reach zero in 33 years, only eight years after Penn State has done so—provided only that current funding trends continue—the obvious corollary to the above question is this: “At what level of State funding does a ‘state-owned’ university become ‘private’—in terms of a release from, or gradual reduction in, those State regulations from which private universities are currently exempt?”

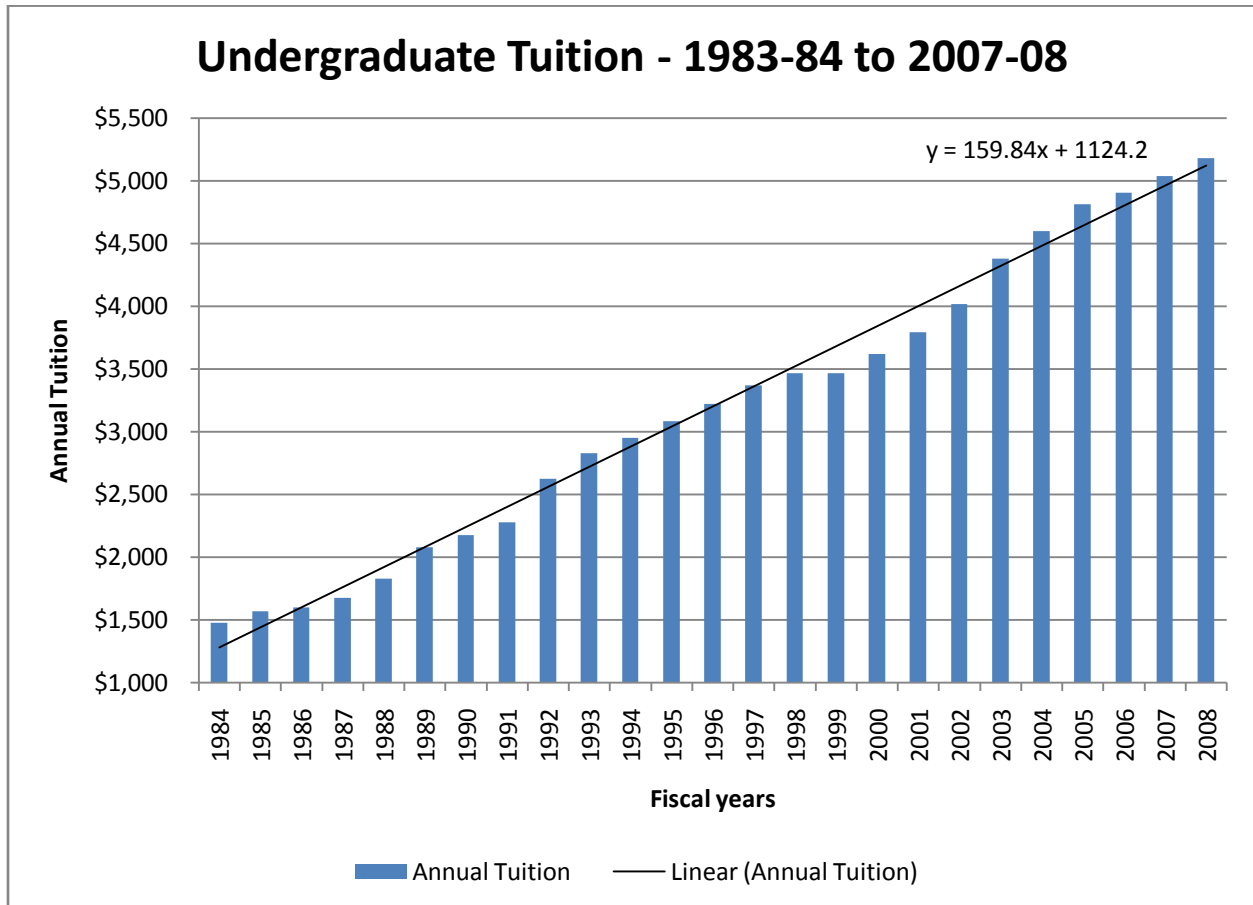


Chart 5. The 25-year Trend in Resident Undergraduate PASSHE Tuition. The average annual tuition increase between 1984 and 2008 is 5.3%, and if current trends continue, the tuition at PASSHE universities can be expected to double every thirteen years, making our universities increasingly inaccessible for many Pennsylvania students.

It is clear that Cal U and the other PASSHE universities are on a trajectory which, unless drastically altered, will see these universities becoming *literally* private—in the sense of zero State funding—in just 33 years. That fact alone justifies the assertion that California University of Pennsylvania (in addition to the other PASSHE universities) is being privatized. The second aspect, whether this privatization is happening *without a plan* will be addressed in what follows.

Without a Plan

As is well known, it is not possible to *prove* a negative—to prove, e.g., that there is not a plan to privatize Cal U and the other PASSHE universities. One can, however, reasonably infer

the *non-existence* of such a plan by means of some easily verifiable facts, including: a) No elected official of the Commonwealth, either in the executive or legislative branch, has ever

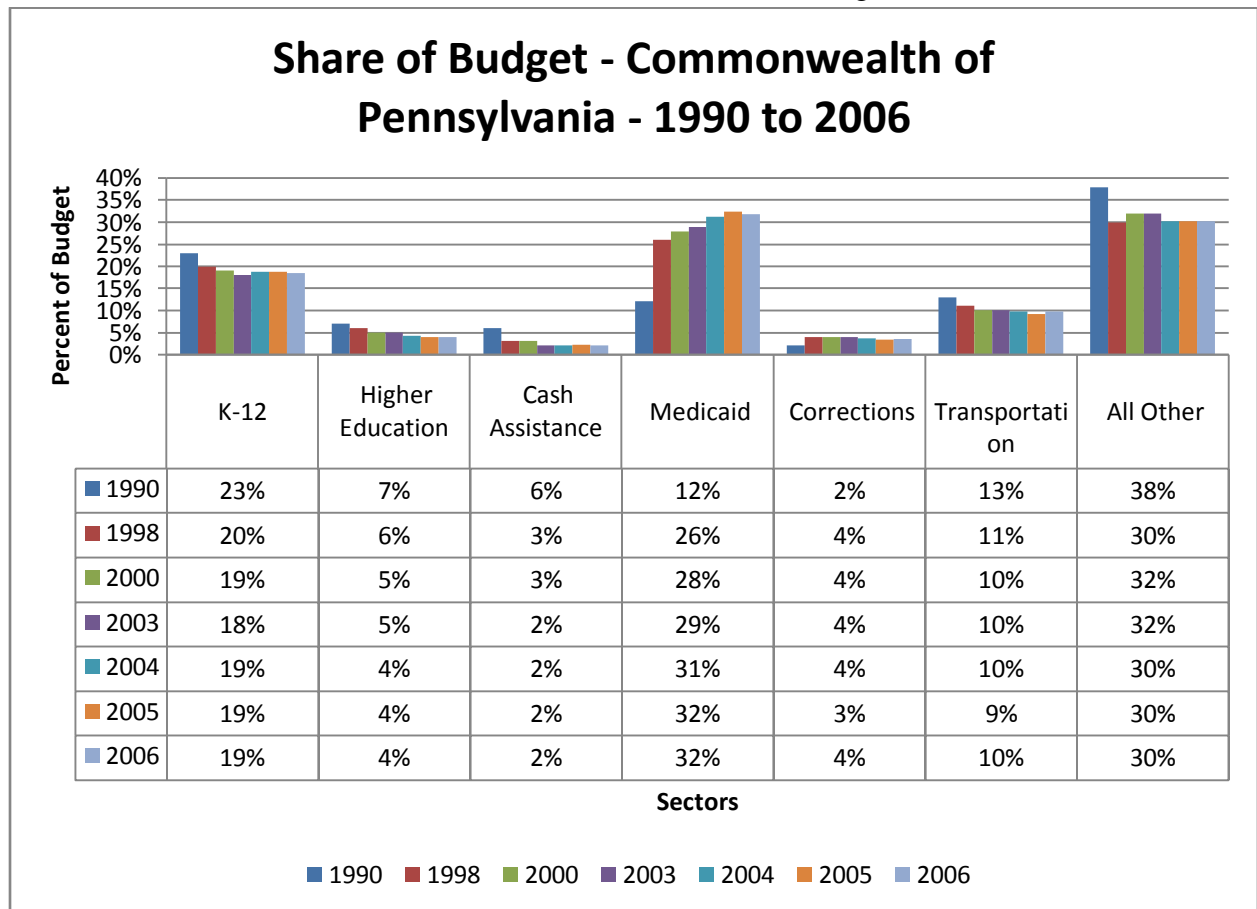


Chart 6. Shifts in Pennsylvania’s Annual Operating Budget between 1990 and 2006. This chart tracks shifts in the budget expenditures of the Commonwealth of Pennsylvania during a recent 16-year period. One sees immediately that K-12 funding declined from 23% to 19% during that time. Higher Education funding declined from 7% to 4% during that time, a decline of 43%! Cash Assistance declined from 6% to 2%. Corrections increased from 2% to 4%. Transportation declined from 13% to 10%. The sum of “All Other” funding categories declined from 38% to 30% during that time but, except for the change between 1990 and 1998, that category has remained remarkably flat (around 30%) since 1998. The largest shift between 1990 and 2006 occurred in Medicaid funding, which increased from 12% to 32% of the budget, an increase of 167% (That is not a misprint.) The near tripling of this share of the Commonwealth budget in just sixteen years suggests that Pennsylvania is being bankrupted by Medicaid.

announced the existence of such a plan, or stated that work had begun on such a plan, or stated that a bill had been introduced for such a plan, or hinted that work on a bill was even being contemplated for such a plan; and b) When elected officials speak of funding, their remarks typically focus on the “funding climate” (usually not good) for that particular year, evidence itself that the Commonwealth funding process is seen by our elected officials as an annual event, often referred to by the media as the “annual budget battle.”

As long as budget decisions are viewed as annual events, of course, it is not likely that there would be any recognition of, much less concern about, the long term effects of a negative

25-year trend (Chart 4) in which occasional “good years” are offset by many more “bad years.” One would also expect that, if there were a plan to privatize the ‘state owned’ universities, part of that plan would have to deal with proposed reductions in State *regulations* (including existing laws that would have to be repealed) to accompany the plan’s future planned reductions in State *funding*. Such a discussion would involve the Legislature, would be controversial, and would obviously be big news. That has never happened in the past. It is not happening now. It is not even being talked about. There is obviously *no* such plan at the present time.

Part 2: Identifying some of the implications of the Assertion being true

Having established that California University is being privatized without a plan, let us now consider some of the implications of that fact. First it is important to recognize that there are and always have been significant differences in the ways that private and public universities operate. But the list of those differences has changed drastically over the past 25 years. While private universities have no doubt had to change what they do—at least in *degree*, public universities like ours have been forced to change a great deal—not just in degree, but in *kind* as well. Twenty-five years ago, most public university presidents did not need to concern themselves with private fund raising. Today, virtually all do. Twenty five years ago, the procurement of needed goods and services at public universities was complicated, bureaucratic and slow. Today, it still is. While such bureaucracy may make sense for *true* State agencies whose entire funding comes from the State (and which today’s state-owned universities really once were) it does not make sense for public state-owned universities that are, today, increasingly public in name only.

While most of the charts in this presentation focused on the decline in *operating* dollars, there has been a steep decline in State funding for capital projects as well. Twenty five years ago, academic buildings at PASSHE universities were paid for *entirely* by the Commonwealth. Sixteen years ago, at the time of my arrival at California University in 1992, presidents were *required* to raise 25% of the cost of academic buildings from private sources, in order to leverage the remaining 75% from the State. More recently, the ante was raised to 50-50! As a result, the pressure on PASSHE presidents to raise private funds for capital projects is immense.

Then there is the matter of tuition. The failure of the states and the federal government to adequately fund financial aid grants to America’s neediest students (many of whom seek out *public* universities) is well documented. Listed below are the titles of just three National reports that, while dated, nevertheless paint an accurate and compelling picture of what is happening to public higher education in America. While the report titles alone are telling, the reports themselves contain devastating indictments of our public policy regarding financial aid.

- Losing Ground: A National Status Report on the Affordability of American Higher Education (National Center for Public Policy and Higher Education; 2002);

- Empty Promises: The Myth of College Access in America (Advisory Committee to Congress on Student Financial Aid; 2002);
- Access Denied: Restoring the Nation’s Commitment to Equal Educational Opportunity (Advisory Committee to Congress; 2001).

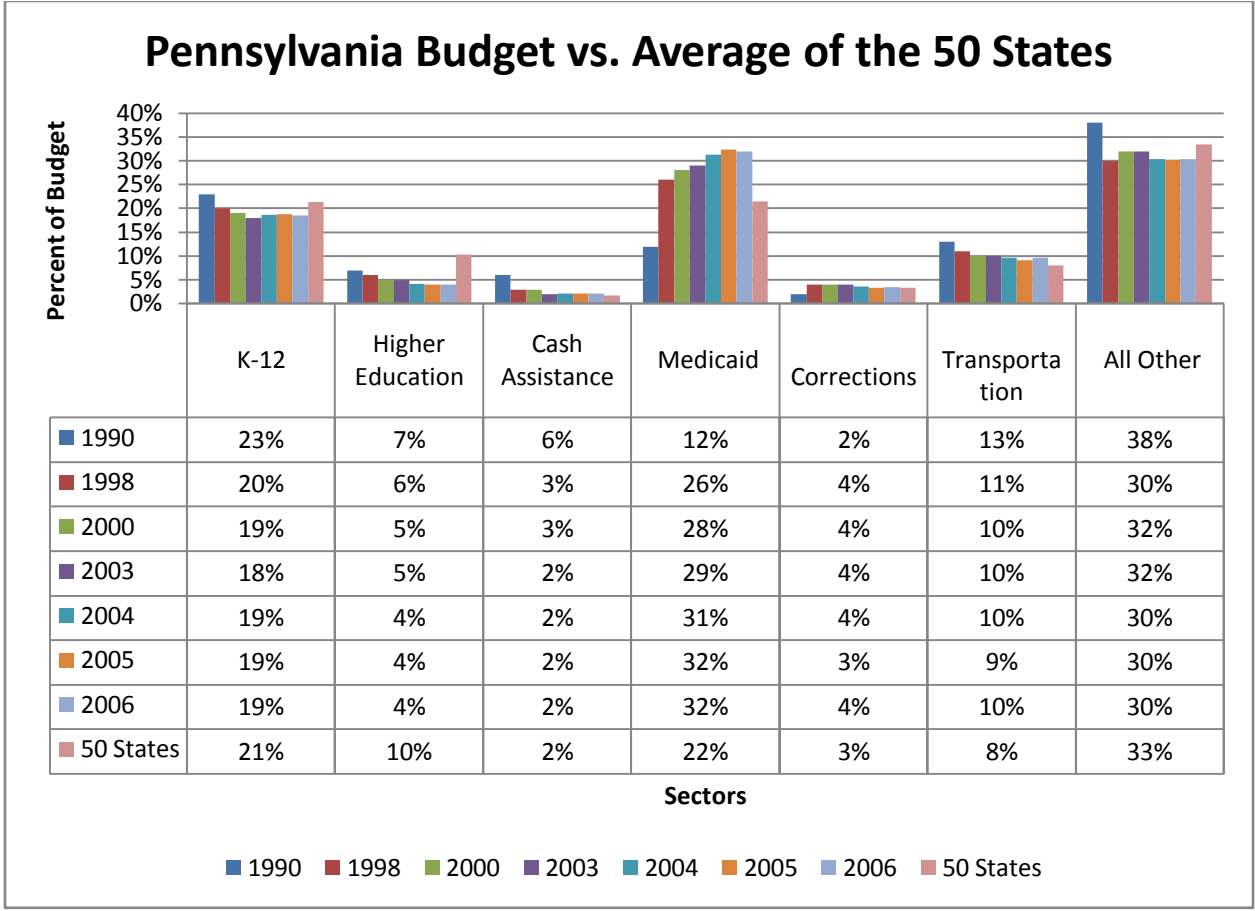


Chart 7. Pennsylvania’s 2006 budget priorities as compared to the average of the 50 states. Pennsylvania’s budget priorities for 2006 are comparable (or roughly so) to the average of the 50 states except in two budget categories: Medicaid funding, where the 50-state average is ten (10) percentage points lower than that of Pennsylvania, and Higher Education funding, where the 50-state average is six (6) percentage points higher (i.e., 2.5 times higher!) than the level in Pennsylvania.

Although the official mission of PASSHE, when created by Pennsylvania law (Act 188) in 1982, was “...to provide high quality education at the lowest possible cost to the students,” the Commonwealth’s failure to provide adequate funding has seriously complicated our efforts as university presidents to live up to that charge. I believe that most public university presidents, I among them, have increasingly accepted responsibility for “high quality education” as far as educational facilities (capital projects) are concerned. And at the other end of the mission statement quote cited above, more and more public university presidents, I among them, are increasingly accepting responsibility for lowering the effective cost of attendance to students through private fund raising for student scholarships to mitigate the ever increasing cost of

tuition and fees. Somewhat schizophrenically, PASSHE presidents must operate like *private* university presidents as far as fund raising is concerned while, simultaneously, continuing to employ outdated business practices that, though perhaps appropriate for true State agencies, are totally out of touch with the needs of agile and increasingly privatized public universities today.

Part 3: Suggesting a viable strategy for the future

It seems clear that, since we are being privatized without a plan, it behooves us to begin functioning more and more like *private* universities. And that is what we have begun doing at California University of Pennsylvania in recent years. Once the inexorable nature of the decline in State funding became clear, we began to focus on what we *ourselves* might be able to do to support the two ends of the PASSHE mission statement quote cited earlier. A few of our colleagues criticized this approach saying that, by doing so, “We would enable the State to abdicate its responsibility to the students of Pennsylvania.”

The gist of our rebuttal was a) that the decline in state funding began at least twenty years *before* we began our approach, and b) that if *we* didn’t act to preserve the quality of our academic offerings *and* preserve the ability of our students to pay their tuition, who would?

As the effects of declining State funding and modest (for us) tuition increases compounded themselves, two cruel choices had to be faced:

- 1) allow educational quality to suffer or find additional sources of both *operating* revenue and *capital* funding to make up the shortfall; and
- 2) allow academically qualified but low income students to be denied a college education because of (for them) tuition that is too high, or expand *private* fund raising to support student scholarships, thereby reducing the *effective* tuition they must pay.

Because state universities, unlike private ones, are typically not permitted to offer scholarships to students by *discounting* their tuition, there is a premium on privately raised dollars—since, in addition to being critically needed to fund *scholarships*, they are also critically needed to fund *capital* projects.

In conclusion, at Cal U we have worked very hard, and with encouraging results, to deal with *both* ends of the mission statement challenge:

- We have increased our *operating* revenues by, among other means, aggressively expanding our web-based academic offerings, and
- We have increased our *scholarship* dollars and *capital match* dollars by working tirelessly to raise private funds from individual donors, foundations and corporations.

We can only hope—before we become totally privatized, i.e., reach zero State funding, that the “state agency” restrictions that deny us desperately needed flexibility will be lifted. □