

February 15, 2011

Higher Education Affordability

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Higher Education Committee

Hon. Marty Block, Chair





Strengths and Shortcomings



California Does Many Things Right...

- Robust need-based financial aid programs.
- Cal Grant's intrinsic incentives: participation, performance, timely completion.
- Low-cost options.



...And Has Ample Room for Improvement.

- Lack of integrated finance policies (appropriations, tuition, financial aid).
- Low-price strategy focused on tuition leaves little support for other costs.
- Insufficient focus on outcomes.

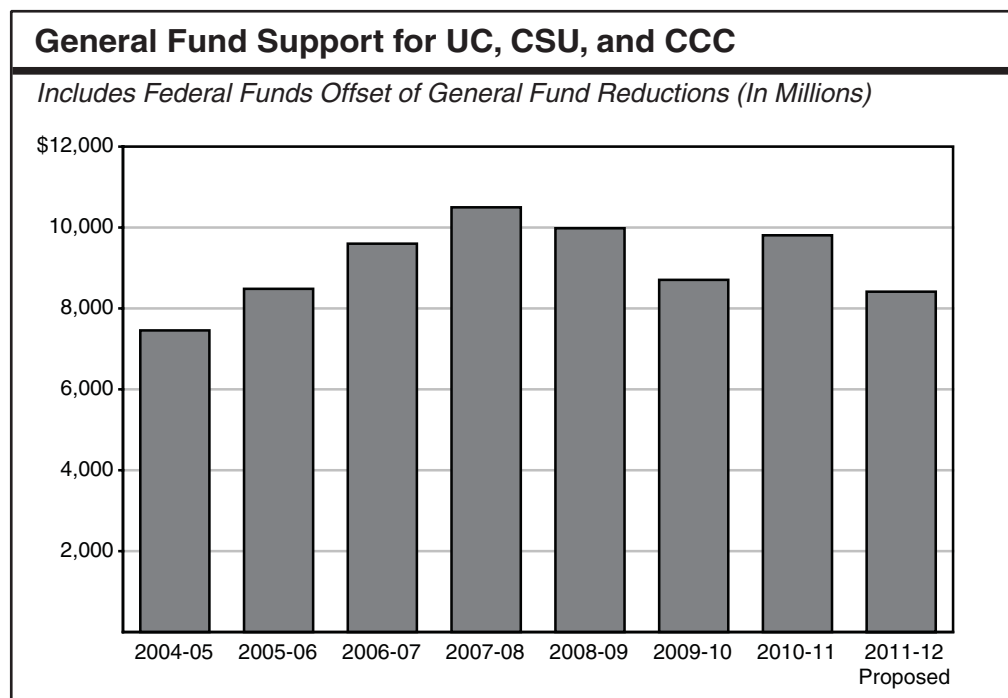


Recent Higher Education Funding History

- ☑ **General Fund Support for Higher Education Has Declined Since 2007-08.**

- ☑ **Higher Education's Share of Total General Fund Spending Has Varied.**
 - Share averaged 11.6 percent over past decade, ranging from 11 percent in 2006-07 to 12.6 percent in current year.

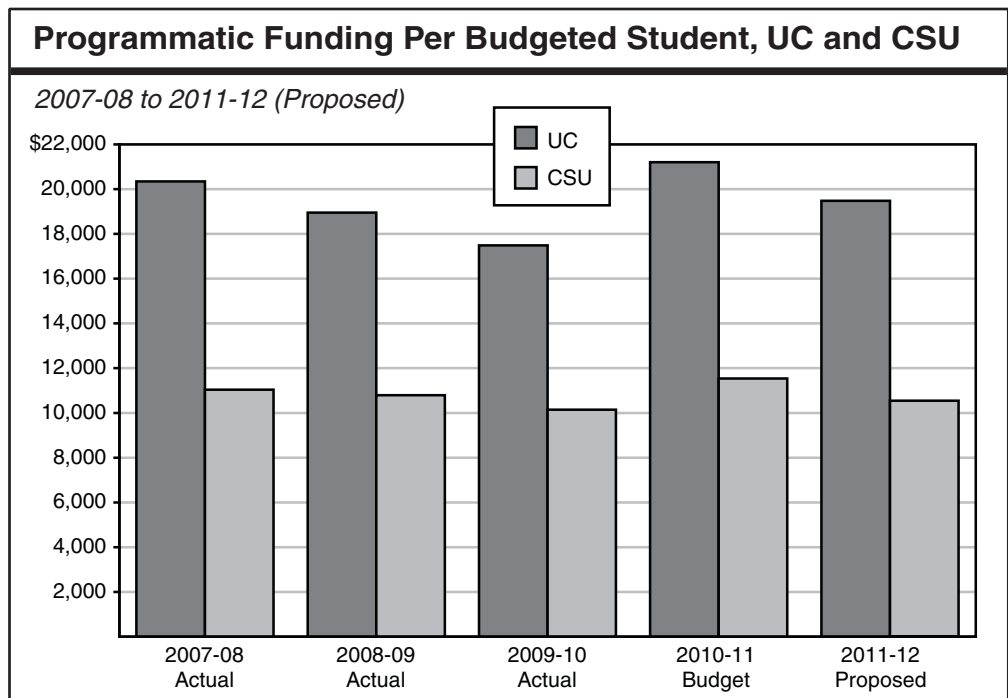
 - Governor's proposal would return higher education's share to 11.6 percent.





New Tuition Revenue Has Offset General Fund Reductions at Universities...

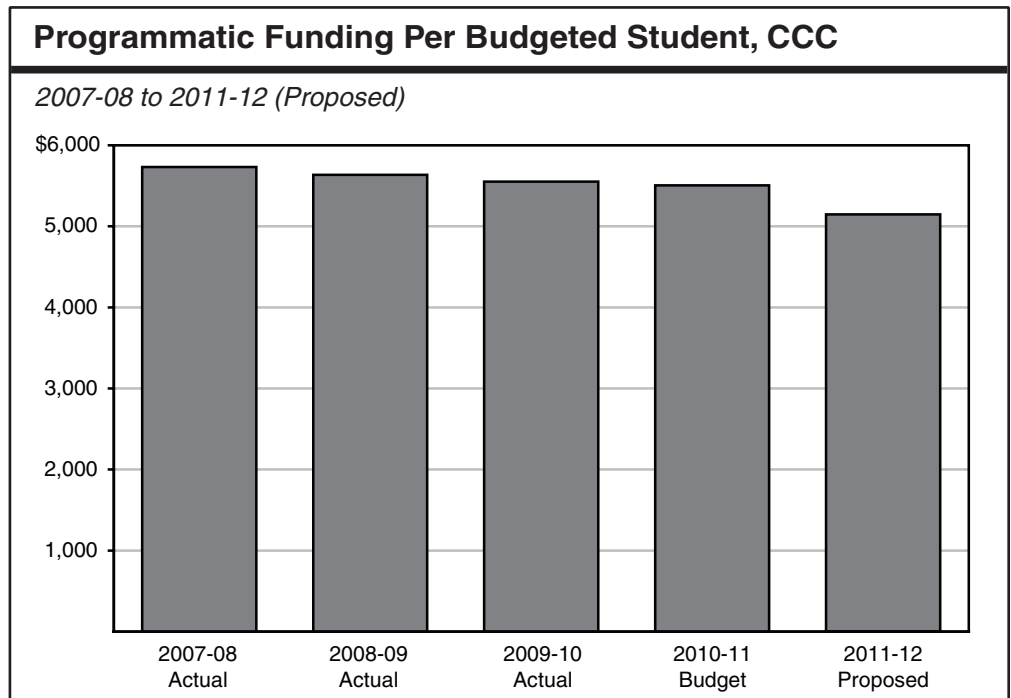
- Total Core Spending Per Student Has Increased.
- Tuition Would Not Fully Offset Proposed 2011-12 Reductions.





...But Not at Community Colleges

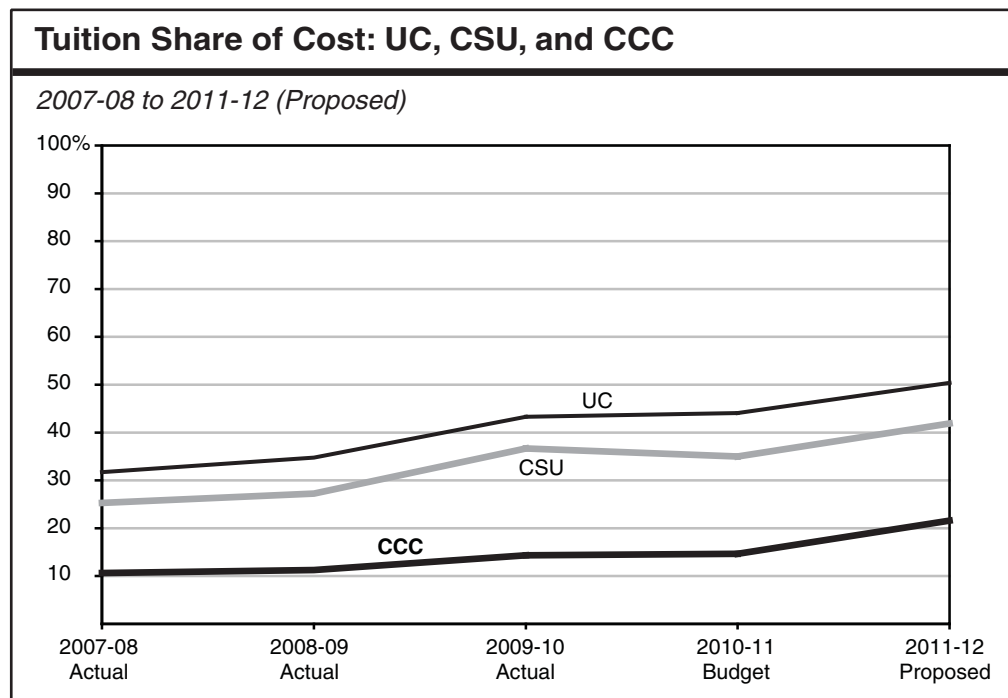
Total Core Spending Per Student Has Decreased Each Year.





Students Paying Larger Share of Cost

- ☑ Tuition-Paying Students Cover Larger Share of Average Education Costs.
- ☑ Financial Aid Programs Have Been Spared—Many Students Receive Aid or Waivers to Cover Tuition.





How Can We Measure Affordability?

- Net Price of Attendance.**
 - How about net price of degree program?
- Percent of Family Income Needed to Pay Net College Costs.**
- Average Debt of Graduates.**



How Does California Protect Affordability?



State Programs Provide General Support, as Well as Need-Based Aid.

- State and local appropriations (\$11.9 billion) support more than half of UC and CSU educational costs, and more than 90 percent of CCC costs. This subsidizes the cost of attendance for financially needy and non-needy students alike.
- Cal Grants provide \$1.3 billion in need-based awards to students.
- Campus aid programs provide \$1.2 billion in grants to fill gaps after federal and other state aid.
- Community college fees are waived for students with need.
- Targeted state aid programs assist special populations.



About Half of Students Receive Need-Based Aid Specifically to Cover Full Tuition Costs.



How Can California Improve Affordability?



Existing Focus of Affordability Efforts:

- Keeping tuition down for all students.
- Meeting financial need through aid programs.



New Direction for Affordability Efforts:

- Shifting policy focus away from “How can we minimize the price students pay, no matter the cost to the state?” and toward “How can we make a quality postsecondary education affordable?”



Policy Considerations

- Reducing Education Costs.**
 - Administrative cost reductions.
 - Instructional costs—at the margins versus redesign.
 - Cumulative costs measured per outcome instead of per full-time equivalent student.
 - Disaggregated costs—what is the state buying?

- Tuition and Fee Policy Options:**
 - Share of cost policy.
 - Limits on tuition increases.
 - Differential tuition by program, mode of instruction, credit status, student level, credit hours accumulated, cohort-based.

- Cal Grant Reforms.**
 - Adjustments to eligibility: financial and academic.
 - Access award level and first-year tuition coverage.
 - Award level and institutional criteria for private college students.
 - Grant delivery system.

- Balance of Institutional Aid and Statewide Programs, and Coordination Between Them.**

- Balance of General and Need-Based Subsidies.**