Securing the Public Trust

Practical Steps toward Higher Education Finance Reform in California

JANUARY 2017

COLLEGE FUTURES FOUNDATION

More Graduates for a Thriving California

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FOREWORD:
A WINDOW OF OPPORTUNITY

Over the past 40 years, shifts in California's economy and demography have led the state to change its approach to paying for health care, K-12 education, community colleges, and social welfare. Yet the state funds the California State University (CSU) and the University of California (UC) basically the same way it traditionally has, through a boom-and-bust cycle that features increasing general fund support during robust economic times and declining or limited funding during difficult economic conditions. A consequence of this approach has been that tuitions tend to increase sharply during economic downturns—at precisely the moments when students and their parents can least afford them. Funding for new enrollments has been episodic, and qualified students are being turned away for the first time in the state's history. This is unacceptable—and preventable, by changing California's historic approach to higher education finance and budgeting.

College Futures Foundation began examining college finance because of growing concerns that the system of paying for higher education has become a barrier to increasing bachelor's degree attainment among low-income and first-generation Californians. Our primary focus has been on the California State University and the University of California, which educate nearly three-quarters of the state's baccalaureate recipients and where the current system of financing is most problematic. As part of this work, we at College Futures convened a series of conversations among individuals with deep experience in public policy and higher education, including finance. We used these forums to study trends, test ideas, review research, and discuss practicable solutions. We also commissioned additional research in key areas. The forum dialogues helped to inform this report, but our findings and suggestions reflect solely our own judgments and are not meant to represent the views of the individuals or their affiliated organizations. We would like, however, to acknowledge their contributions and guidance.

Transforming California's approach to higher education finance will require that state and institutional leaders have a shared understanding about the fiscal challenges and opportunities that lie ahead. We do not believe such a shared understanding exists now. We hope with this report to contribute to a productive dialogue about the dimensions of the funding problems and the options available to address them. California's current fiscal circumstances offer education and policy leaders some flexibility to take actions that they might not be able to take during a recession. That window of opportunity will not remain open for long.

AUTHORS OF COMMISSIONED BACKGROUND PAPERS

Darcie Harvey, Consultant to College Futures Foundation, and Senior Policy Analyst, Higher Education Policy Institute

Mark Hill, Consultant and Former Program Budget Officer, California Department of Finance

James Hyatt, Former Chief Finance Officer, University of California, Berkeley, and Associate, Center for the Study of Higher Education, University of California, Berkeley

Dennis Jones, President Emeritus, National Center for Higher Education Management Systems, Boulder, Colorado

Patrick Kelly, Vice President, National Center for Higher Education Management Systems, Boulder, Colorado

Amy Supinger, Principal, Supinger Associates, Sacramento, California

Jane Wellman, Senior Advisor, College Futures Foundation

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EXECUTIVE SUMMARY

Public higher education finance limits student opportunity and threatens California's future

If California is to provide for social and economic advancement for its residents, safeguard the health of its communities, maintain its edge in the global economy, and meet workforce needs, it must increase its production of bachelor's degrees. Meeting this goal will require concerted work at all levels—in K-12 schools, community colleges, and the university systems—to close achievement gaps and improve transitions along the educational pipeline extending to college graduation.

California has taken important steps to improve performance at the K-12 level, through changes in academic preparation and by raising the bar for all students. These reforms are beginning to work: significantly more students are graduating from high school and applying to college compared with the past. But parallel changes are needed to accommodate the increased demand for baccalaureate degrees. Instead, college enrollment access is among the first things to be undermined when the state experiences an economic downturn and higher education funding is decreased.

The erosion of public college opportunity for broad populations of students in California, left unabated, threatens the health of our civil society. If opportunity to succeed in college were to shrink, social inequality would likely increase—and the universities, rather than offering real opportunities for socioeconomic mobility, would serve as the dividing line between haves and have-nots. Meanwhile, the public perception that qualified students are being turned away by our universities, and the public questioning of the value of higher education and the values of the people responsible for leading the institutions, continues to grow.

Current context: The four sides to the higher education finance problem

California's higher education finance problem has four sides:

1. Volatile revenue patterns at the state level, including stretches of declining state general fund revenues linked with growing dependence on tuition by universities;
2. Budgeting practices associated with the fixed costs of employee benefits;
3. Outdated and inflexible academic cost structures and subsidy patterns; and
4. State and institutional decision making that too often functions at cross purposes, without common goals, shared language, and mutual accountability.

Any one of these dynamics would be problematic, but the four of them together are paralyzing. A long-term solution requires attention to all of them; changes in one or two will not solve the problem.

A way forward: Principles and recommendations to guide budget reform

If current revenue and spending trends are not reversed, we risk institutionalizing inequality in California as prospective students are incrementally sorted away from pursuing BA degrees. The troubling cycle of eroding public funding, growing spending on fixed costs, and diminished public trust will continue to corrode these institutions that are essential to the future of our state. Without being unduly alarmist, we see the finance challenges facing public higher education as a social and economic parallel to climate change: a slow moving and fundamental change in our economic infrastructure that threatens our civic institutions. Continued deterioration is not inevitable; Californians are justly proud of their public higher education system, and we believe that, under the right conditions, they will step up to make the changes needed to secure their future.

Several main ***principles*** can guide reform efforts:

- All parties—including state, system, and institutional leaders—must share a common understanding of what it means for public universities to operate as a public trust, even though their revenue sources are becoming increasingly diverse.
- The state and the institutional boards should exercise complementary but different roles in fiscal decision making and oversight.
- The annual budget process should be aligned with longer-term plans (10 to 15 years), both at the state level and at the system level.
- Decision makers at all levels should share common definitions and benchmarks as a basis for mutual accountability and the balancing of interests essential for fiscal sustainability and public trust.
- Decisions about spending priorities should address thoughtful assessment of alternatives, costs, and consequences, including spending on fixed costs as well as new initiatives.

Our ***recommendations,*** presented in greater detail in the report, fall under the following topic areas:

- ***A recommitment to public goals and to public funds involves:*** developing long-term plans to accommodate students and close attainment gaps; increasing transparency and accountability for the systems and the state; including the Governor and the legislature as partners in goal-setting; and developing indicators to support decision making and accountability.
- ***In order to stabilize and bolster revenue levels*** and to improve long-term fiscal planning, the state and systems should address revenue smoothing for higher education through better management of steady increases in state general fund support and tuition, and the creation of contingency reserves at the state and institutional levels.
- ***Budget practices associated with the fixed cost of employee benefits*** should be revised to increase transparency and illuminate tradeoffs between spending on benefits and other options, including salaries, new faculty positions, and the consequences for general funds as well as student tuitions.
- ***Institutions must do more to restructure academic costs when the spending and subsidy levels of the past are no longer appropriate,*** and to generate resources through reallocation to better use funds to support student access and success. The state should provide incentives to encourage such reallocations.
- ***The state and the institutions need to share common language and fiscal benchmarks with which to evaluate spending and performance,*** and to improve public accountability and transparency for resource use.

WHAT'S AT STAKE?

Public higher education: Route to advancement or dividing line between haves and have-nots?

California promises its residents, as its version of the American dream, the opportunity to pursue a high-quality and affordable college education. Our residents and communities need the benefits increased educational attainment brings. Our economy needs a highly skilled workforce, more four-year degrees, and more diverse graduates. And California students who prepare for college deserve the opportunity to pursue a bachelor's degree. Yet too many qualified students are being turned away from this pursuit, largely because of systemic problems in how we finance higher education. Without serious and urgent attention to this predicament, the state is on track to squander its college promise for this generation of Californians and the next. If current funding patterns are not changed substantially, higher education in California, rather than spurring social and economic mobility, will become a root cause of income and opportunity inequality. Our educational system is at risk of becoming the dividing line between haves and have-nots.

The public university systems that worked so well for previous generations of Californians need a fiscal re-boot to meet the needs of current and future generations. Many more students want and need to go to a four-year college compared with the past, and yet the revenues needed to increase system capacity—given existing spending patterns—are not available and are not likely to be so in the future. New fiscal approaches are needed to shore up and stabilize revenues to the public universities and to change how resources are used within them. The fiscal structure is precarious, and has been for many years. Without transformation, the public financing of higher education will increasingly threaten the future health and prosperity of our state and its residents.

ASSUMPTIONS

Our focus is on operating support for the two public university systems, the California State University and the University of California, which together award nearly three-quarters of the bachelor's degrees in the state. The California Community College system is also key to future baccalaureate degree access and degree completion, and we look holistically at the system as it affects the student pipeline and degree production. However, the community colleges are funded under Proposition 98, and in our opinion there the revenue aspects of finance are less problematic than for the two university systems. Moreover, we are not prepared to recommend changes in the constitution that would erode the commitment of funding to the public schools and community colleges.

Our analysis uses the existing California Master Plan as the point of departure for thinking about future needs for ensuring access and degree attainment to academically qualified students. We recognize that some believe that the plan is outdated and needs to be refreshed. Should that occur, this analysis should be helpful to that process. However, our view is that the state should not wait for a new Master Plan to get on with the business of deciding how to pay for the one we have now.

Finally, we have not addressed capital finance and the means by which the state and the institutions are going to pay for new facilities and for renovation of existing facilities. This is an important topic which also affects student access and degree attainment, and something that deserves additional attention.

Our economy needs more highly skilled labor, more four-year degrees, and more diverse graduates. Our residents need the social and economic opportunities that come with degree attainment.

Many studies have documented the widespread benefits that higher education provides to individuals, communities, and the state—from civic engagement and social mobility to improved individual and community health to economic development and prosperity.[1] In particular, analysts have called for substantial increases in the number of baccalaureate degree recipients in California to meet the needs of the skills economy and to replace the retiring baby boomers who have been the core of the workforce for the last 30 years.[2] For example, the Public Policy Institute of California (PPIC) estimates a need for more than a million more degrees by 2030. Reasonable people might disagree about the precise number of new degrees needed in California, but whether the number is a half a million or a million, this is more than will be produced if current trends in degree attainment continue. We know of no reasonable argument why a bachelor's degree should be more accessible to white and Asian students, while technical and vocational certificates are good enough for African American and Latino students. Yet this is precisely the de facto sorting that is already occurring, given the way that access is being rationed as we discuss below.

Without being unduly alarmist, we see the finance challenges facing public higher education as a social and economic parallel to climate change: a slow moving and fundamental change in our economic infrastructure that threatens our civic institutions.

Demand for higher education is growing[3].

Demand for higher education is increasing faster than population growth in California. Although overall K-12 enrollments are flat and are projected to decline, the number of students graduating from high school has increased by 20% during the past decade, driven entirely by improved retention and increased graduation rates. In addition, the proportion of graduates who have completed the college preparatory courses necessary for admission to a public four-year university (that is, the A-G course sequence) has increased by 48%. The greatest percentage growth has been among Latino students, followed by Asian students.[4] These changes have coincided with the implementation of new and more rigorous learning standards in California—a remarkable achievement and an indicator of the hard work being done by educators and students statewide.

TABLE 1:

K-12 Enrollment and High School Graduates, 2005-2015

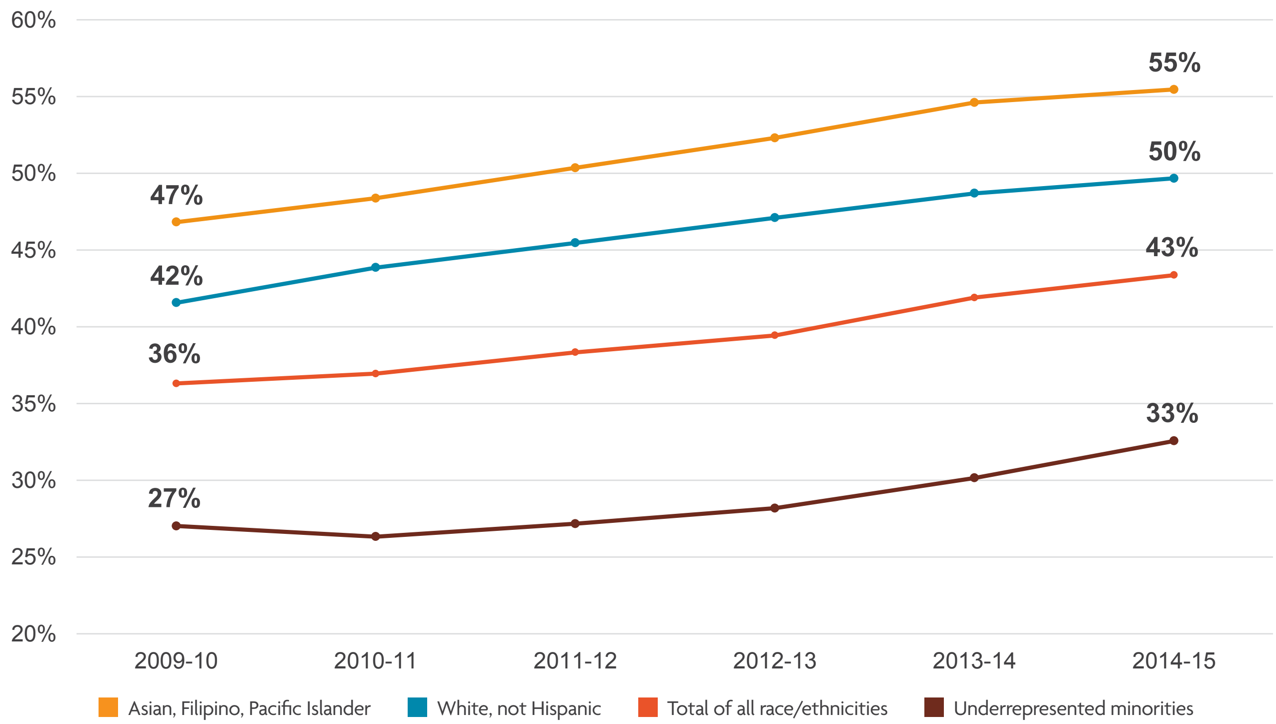
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2005-15 change	2005-15 percent change
Public K-12 school enrollment												
6,322,083	6,312,103	6,286,943	6,275,469	6,252,011	6,190,425	6,217,002	6,220,993	6,226,989	6,236,672	6,235,520	**-86,563**	**-1.4%**
High school graduates												
355,275	349,207	356,641	376,393	382,950	405,087	410,476	418,598	422,177	421,636	426,950	**71,675**	**20%**
High school graduates who have taken A-G curriculum												
125,068	126,019	126,516	127,594	135,370	147,071	151,666	160,494	166,521	176,688	185,179	**60,111**	**48%**

Sources: K-12 data from Kidsdata at bit.ly/chhealth citing California Dept. of Education, California Basic Educational Data System (CBEDS), graduate data from California Dept. of Education at bit.ly/CALPADS.

FIGURE 1:

More High School Graduates are Taking a College Preparatory Curriculum

Percent of Graduates Who Have Completed A-G Courses by Select Racial Groups, 2010-2015



Note: Underrepresented minorities (URM) are defined as students who identify as Latino, African American, Native American, and Alaskan Native.

Sources: California Department of Education, CALPADS cohort outcome data at bit.ly/CALPADS.

An increased number of students are not being accommodated in our four-year institutions. Historically underrepresented students, now the majority of recent high school graduates, are disproportionately affected when access is cut.

At the California State University and the University of California, *nearly one million California residents who applied for freshman or transfer admission were turned away from 2005 to 2015.* We do not know how many were turned away because the institutions did not have the resources or capacity to enroll them or because the students did not meet admission standards; although the California State University reports these data, they are not available for the University of California. This lack of data is one telling example of the ways the system is failing to be publicly accountable.

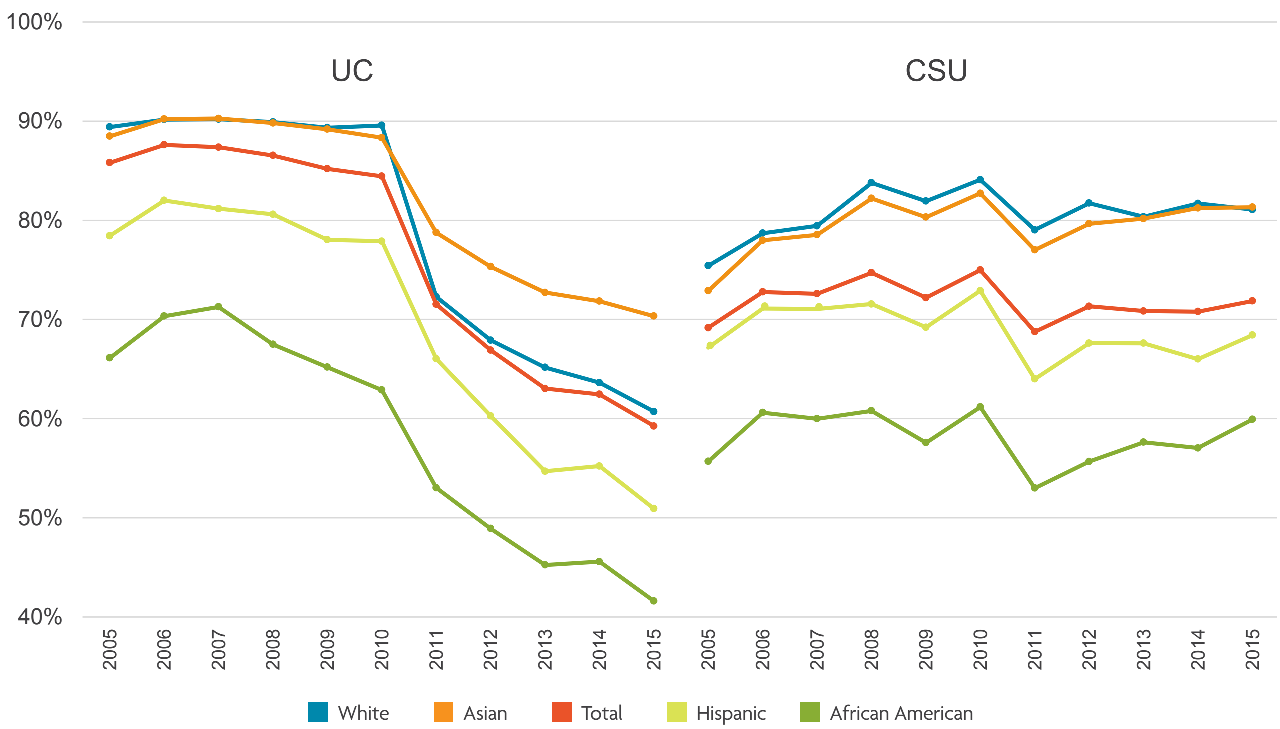
Here is what we do know:

- Freshman applicants to CSU increased from about 120,000 in 2005 to about 212,000 in 2015, an increase of about 77%, which is much higher than the rate of increase in high school graduates (20%) during this period.[5] The university cut back on freshman admissions after the recession and did not return to 2009 levels until 2013. CSU's admission rate (the "unduplicated" ratio of applicants to admissions) varied considerably over the decade, with increases in some years and decreases in others.[6]

FIGURE 2:

Admission Rate at CSU and UC

Percent of Applicants that are Admitted, 2005-2015



Note: For UC, this admission rate is for resident students. For CSU, this admission rate is for total students since CSU does not provide data about applicants and admissions by residency and ethnicity prior to 2012.

Sources: University of California Info Center, Admissions Report at bit.ly/UCadmissions; CSU Analytic Studies, Statistical Reports, Applications and Admissions at bit.ly/appsadmits.

- At UC, resident freshman applicants increased from about 66,000 to 103,000 over the decade, or about 57%. Freshman admissions to UC peaked in 2010, dropped in 2011, and have remained relatively constant since then. Unlike at CSU, the resident freshman admission rate at UC declined over the decade, from 86% in 2005 to 59% in 2015. Resident freshman admission rates declined at UC among all subgroups over the decade, but were steepest among African American and Latino students.
- Over half a million freshman applicants to CSU were denied admission over the decade. CSU estimates that nearly 80,000 were turned away from 2005 to 2015, despite their meeting admissions requirements, due to the university's lack of adequate funding to enroll them.
- UC rejected close to 235,000 applicants during the decade, but does not report on how many of these students were turned away because they were not academically eligible for admission. Their public statements are that no eligible student has been denied admission to a UC campus, although they concede that the number of students who are denied admission to their campus of first choice has increased substantially.

Applications for admission from community college transfer students have increased at CSU and UC, though at a lower rate than the increase in demand for first-time freshman slots. As in the case of freshmen admissions, the number of qualified transfer students who were turned away has also increased.

Community college transfer applicants to CSU increased by nearly 22,000 or 21% between 2005 and 2015; transfer admissions increased slightly faster than transfer applications, by 25%. The transfer admission rate at CSU in 2015 was 74%, up three percent from the 2005 rate.

Even with these increases, CSU estimates that over 10,000 transfer applications from fully eligible students were denied in 2015—a significant increase in transfer denials, and all the more troubling because the denials occurred despite the 'transfer guarantee' legislation. In UC, community college transfer applicants increased by over 7,000 during this same period, and the number who were turned down increased from around 5,500 in 2005 to 8,800 in 2015. As is the case with freshman admissions, there is no public information about how many of these applicants met UC requirements for transfer.

There is broad public agreement about the importance of college, but growing concerns about higher education costs and leadership.

As state funding has declined, a narrative has evolved in California—and in other states—that policymakers no longer view higher education as a public good, leaving institutions with no choice but to seek alternative revenues or reduce access in order to protect quality.[7] We think the factual underpinning for this narrative is not what it is often claimed to be. The oft-repeated argument about the extent of state disinvestment in higher education is overstated, as institutions count restricted funding for hospitals, sponsored research, and auxiliary activities along with core funding for the core functions of undergraduate and graduate teaching and research. By our calculations, state general funds pay for around 42% of core funding in the University of California, and 56% of core funding in the CSU. The state share of funding increases even more if the general fund subsidy share of student tuition revenues is included in the calculation. These subsidies are obviously critical to the basic operation of the institutions.[8] (See figures on the next page.)

There is no denying that the proportion of the total state budget that goes to higher education has declined, as funding has shifted to pay for the growing costs of corrections, health care, and public education. Higher education funding is also the largest proportion of discretionary spending, and as such it is disproportionately cut during and after recessions. (See Mark Hill's paper on general fund revenues, referenced in the table of contents.) But state funding also increases rapidly when the state has money for it, suggesting that the cuts are driven by changes in the economy and in general funds, not by a philosophy about how higher education should be financed. Higher education has been collateral damage to a wholesale change in public policy and decision making. Fiscally, our public universities now look more like private non-profit institutions than they did 40 years ago. In our view, neither the state nor the institutions have come to terms with how best to maintain public identity and purposes in light of these new fiscal realities.

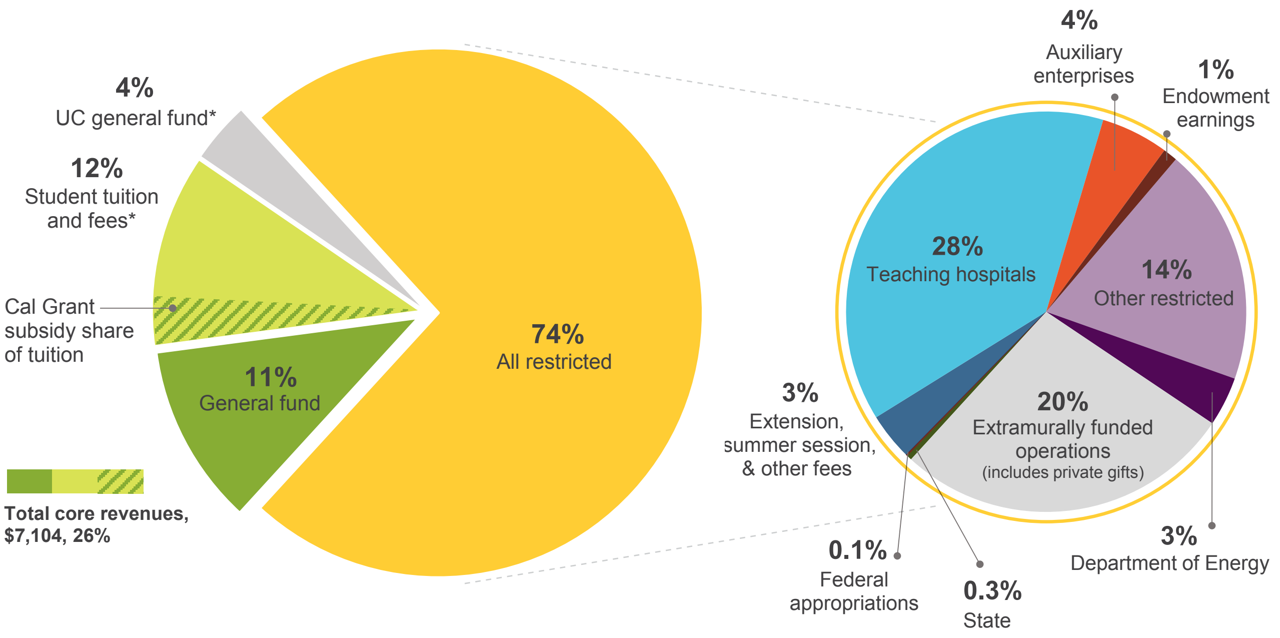
As state funding has declined, a narrative has evolved that policymakers no longer view higher education as a public good. We think the factual underpinning for this narrative is not what it is often claimed to be.

CALCULATING CORE REVENUES AND STATE SHARE OF CORE FUNDING

For the University of California, nearly three quarters of revenues are restricted in various forms, contrasted with 26% that support the core teaching/research functions. Of the 26% in core funding, state general funds account for 42%, student tuition and fees another 45%, and UC general funds (non-resident tuition and recovered overhead) another 13%. If the Cal Grant subsidy share of tuition revenues is 'counted' within state funds, the state share of core funding rises to above 50%. For CSU, the analogous figures are: 69% of total revenues are available for core functions, and the state general fund share of core funding is 56%, against student tuition/fee revenues of 44%. If the Cal Grant subsidy share of tuition revenues are counted as part of the state subsidy, the state subsidy share in CSU rises to nearly 70%. For additional details on these calculations and on trends in Cal Grants see the Appendix, referenced in the table of contents.

FIGURE 3:

UC Annual Operating Revenues by Source, 2014-2015 (Millions)



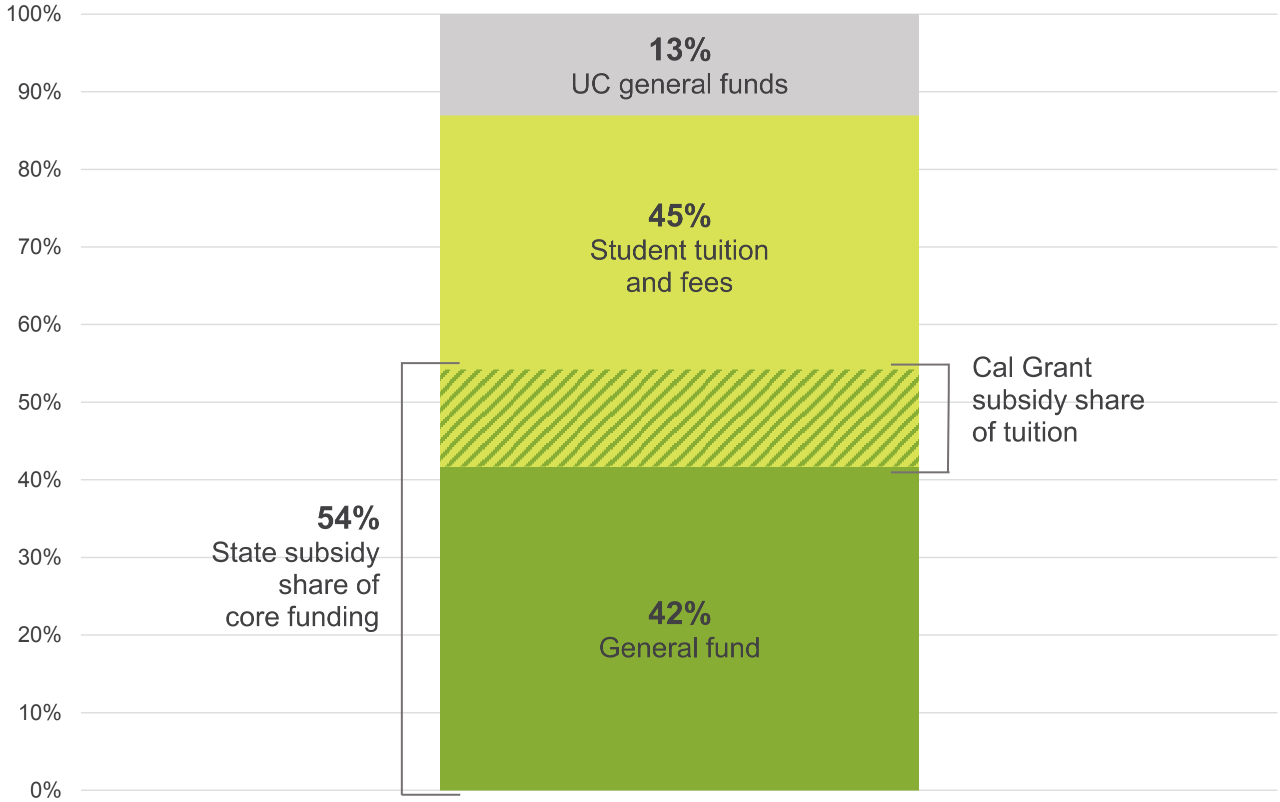
*Nonresidential supplemental tuition is included under UC general fund and not in student fees. Student fees include nonresidential base tuition.

Note: Annual operating revenues includes budget for current operation, extramurally funded operations, and Department of Energy. Extramurally funded operations includes budget for state funding, federal funding, private gifts, contracts and grants, and other.

Source: UC Operating Budget 2015-16 at bit.ly/UCopbudget.

FIGURE 4:

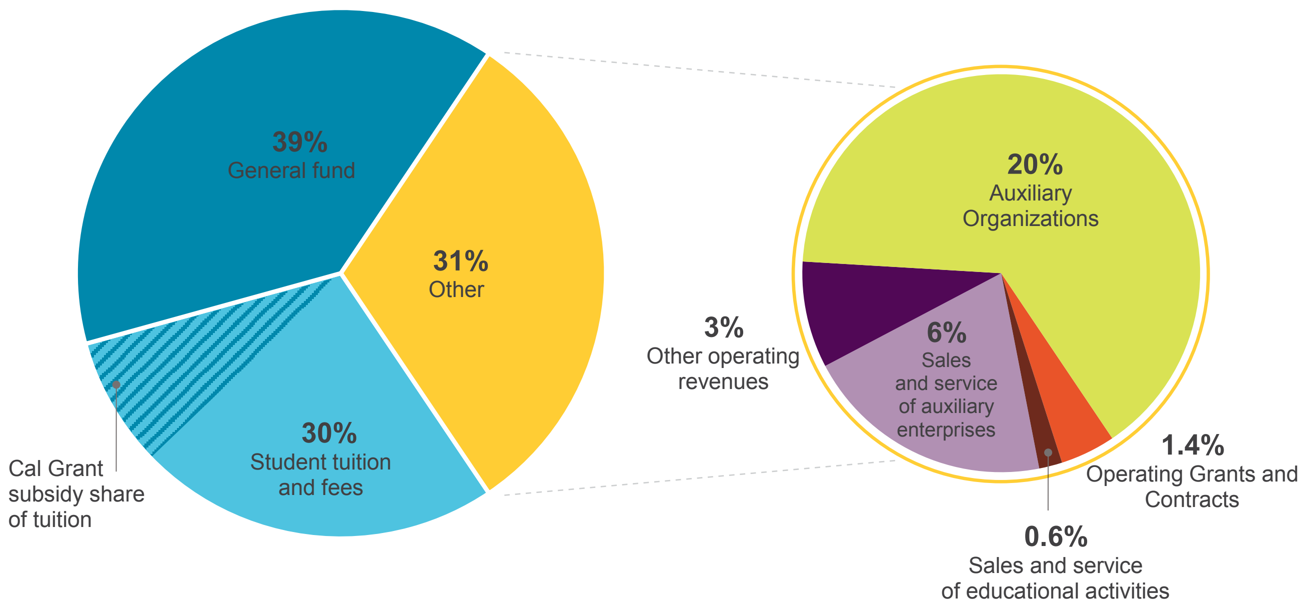
UC Core Revenues by Major Categories, 2014-2015



Source: UC Operating Budget 2015-16 at bit.ly/UCopbudget.

FIGURE 5:

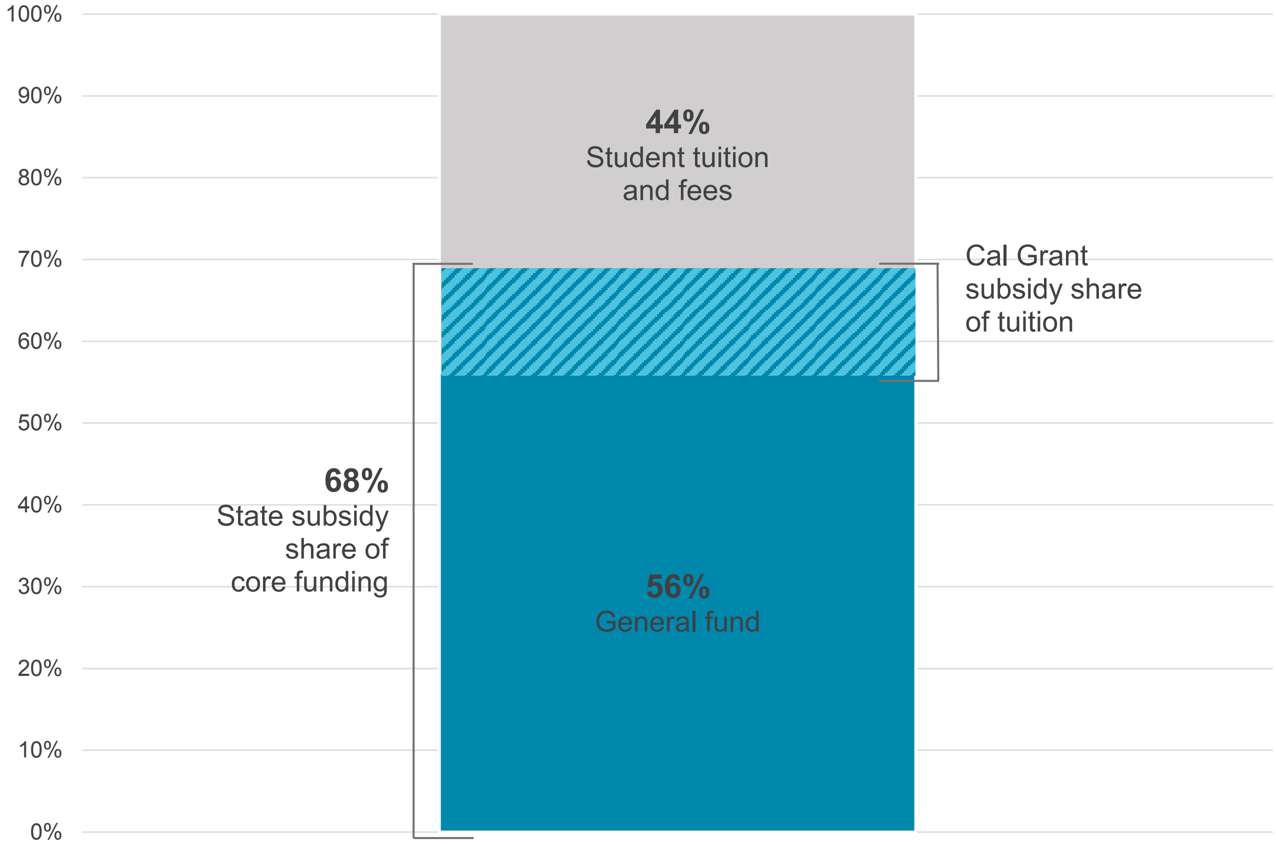
CSU Annual Operating Revenues by Source, 2014-2015 (Millions)



Note: Annual operating revenues include state appropriations, noncapital, which are technically included in the nonoperating budget. Student tuition and fees equal student net tuition (including all resident and nonresident). General fund is equal to state appropriations, non capital. Auxiliary organizations includes discretely presented component unit revenues for each of the categorical revenue streams shown (e.g., the discretely presented component unit revenue for student tuition, state appropriations, etc.) Auxiliary enterprise revenues do not include discretely presented component units in other not listed categories such as federal grants and contracts, etc. Discretely presented component units are classified by the CSU as "primarily recognized auxiliary organizations."

Source: CSU Audited Financial Statements 2015 at bit.ly/CSUfs15.

FIGURE 6:
CSU Core Revenues by Major Category, 2014-2015



Source: CSU Audited Financial Statements 2015 at bit.ly/CSUfs15.

Another challenge stems from growing public concern about the direction of higher education and its return on investment for students. National opinion research shows that public concerns about higher education tuition and rising student debt have been a flashpoint for a critique about the direction of higher education and the values of college leaders. The public sees tuition increasing without any increase in quality, which many equate with job preparation.[9] We recently commissioned focus group research in California, and the concerns we heard across the state were consistent with these findings. (See David Binder's summary of this research, referenced in the table of contents.) The people we spoke with described higher education as becoming increasingly out of reach for them economically, and many voiced anger about what they see as a rationing of access due to higher tuition rates. They said that they had heard news reports about administrative bloat and inefficiency, and believe that public colleges and universities are inefficient and lack enough accountability for how funds are used. Over time, public impatience with the college leaders may undermine efforts to maintain or increase funding for higher education. Populist resentment of elitism is growing in this country, and there is evidence from a number of states of policymakers stepping into academic policy areas that would have been left to the institutions in prior generations. Continued support for academic self-governance can no longer be taken for granted.

Populist resentment of elitism is growing in this country, and there is evidence from a number of states of policymakers stepping into academic policy areas that would have been left to the institutions in prior generations. Continued support for academic self-governance can no longer be taken for granted.

Finally, despite growing consensus between policy makers and institutional leaders that the 'business model' of higher education needs to change, there remains considerable difference of opinion about what that means.[10] Within the academy, faculty think the problem is that too much money is being spent on administrators and on remedial education. Presidents think that the problem is the disinvestment of public funds. Business officers think the problem is that faculty aren't realistic about the funding changes that are needed. Policy makers believe that the problem is that not enough students are graduating from college, and that resources aren't being used efficiently. And the public thinks that prices are going up, that qualified students are being turned away, and that too many students aren't getting jobs. Finding a solution to the problem of college finance begins with developing greater consensus about the dimensions of the problem.

THE FOUR SIDES OF THE FINANCE PROBLEM

From our analysis, we see four sides to the finance challenges facing California public universities: (1) volatile revenue patterns, including stretches of declining state general fund revenues linked with growing dependence on tuition by universities; (2) state and university budget practices associated with the fixed costs of employee benefits; (3) outdated and inflexible academic cost structures and subsidy patterns; and (4) state and institutional decision making that functions at cross-purposes, without shared measures, common goals, and mutual accountability. The solution requires attention to all four sides, it can't be solved by simply stabilizing revenues, or cutting costs, or changing decision making.

1 Revenue volatility and growing dependence on tuition.

Revenue volatility at the state level has become the norm for California, and state funding for California's university systems has not kept pace with enrollment demand and has led institutions to depend increasingly on tuition increases. These erratic patterns shift the ground under institutions, make long-term planning difficult for institutions and the state and burden students and families with higher tuition when they can least afford it.

The most widely documented and best understood facet of the higher education cost problem is in the revenue picture: declining or unpredictable state revenue levels have become linked to increases in tuition by universities. Studies have documented similar trends in other states, but California has a particularly acute problem of revenue declines and volatility. (See Mark Hill's paper on general fund revenues, referenced in the table of contents.)

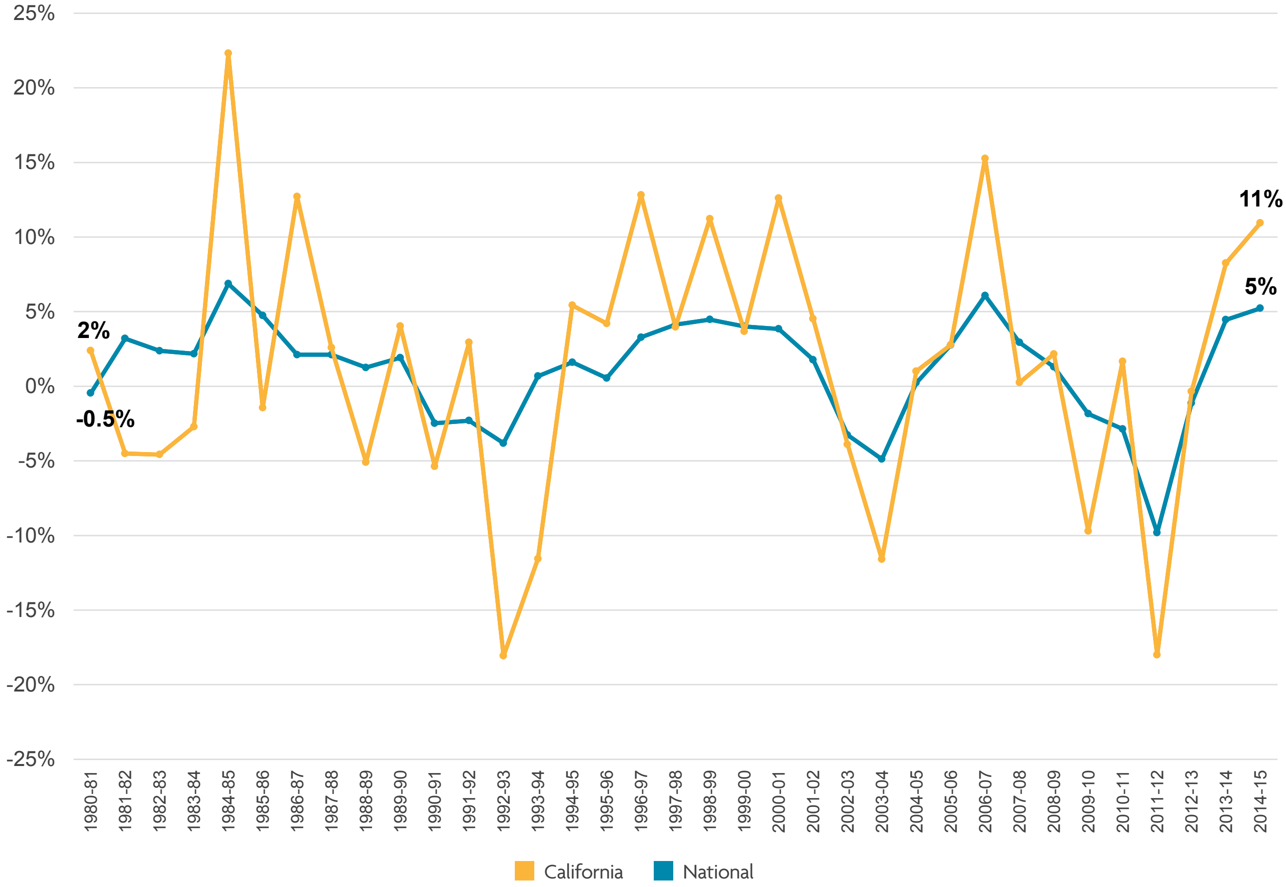
- Sources of revenues to California's general fund have shifted substantially in recent decades, to personal income tax (68%) and to high-income taxpayers. Personal income tax returns reporting more than $500,000 in adjusted growth income comprised 51% of California's income tax liability in 2012. The income earned by these taxpayers is more dependent on capital gains than typical salaried employees. This means the general fund is disproportionately affected by economic booms and busts. For instance, in the Great Recession year of 2009, California personal income dropped 3.7% and GDP dropped by four percent, yet general fund revenues declined by nearly 20% and discretionary revenues by 16%.

Tuition is now the most predictable and potentially manageable source of revenue for the institutions.

- As state revenue levels have become more volatile, their rate of growth has also declined, from an average of about six percent annually from 1985 to 2005, to about 2.5% now—a major slowdown.
- As general funds have been dropped, tuitions charged to resident students have increased, and are now the largest revenue source for the core program in the University of California and half of core revenues in the CSU. Moreover, and particularly important from an institutional perspective, tuition is now the most predictable and potentially manageable source of revenue for the institutions.

FIGURE 7:

Annual Percent Change in State Fiscal Support for Higher Education



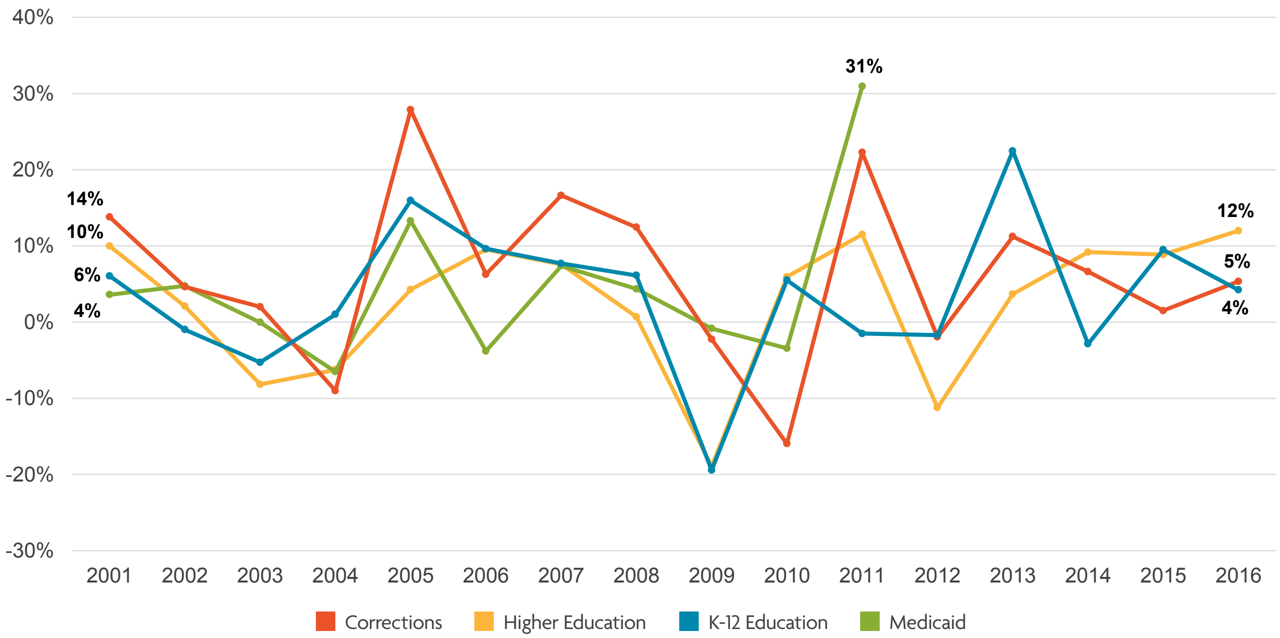
Source: State Fiscal Support for Higher Education, by State from Grapevine reports from the Center for the Study of Education Policy at bit.ly/TablesFY1516.

Compounding the challenges of revenue volatility, California has adopted a combination of constitutional and other restrictions on state spending that have reduced spending for discretionary purposes. Proposition 98, which aims to protect revenues for K-12 education and for community colleges, now controls more than 40% of the general fund budget. About 62% of general funds outside of Proposition 98 support health and human services, which have been growing at annual rates between six and eight percent. Most of the remaining portion of state general funds supports higher education, but this overall portion is projected to decline from 7.3% of total state spending in 2015-2016 to 3.3% by 2019. This means that public revenues for higher education will continue to be constrained and will likely continue to fluctuate.

Other states are also experiencing general fund declines and volatility, and shifts to tuition funding.[11] As in California, the causes are linked to growth in spending on K-12 education, corrections, and, in particular, health care. But revenue volatility is much more pronounced in California, which has seen wider swings from substantial growth during economic upswings to severe budget cuts following recessions.

FIGURE 8:

California Annual Percent Change in Budget Category Expenditures per Population Served, 2001-2016



Note: Medicaid data only available through 2011. Medicaid data is average expenditures per Medicaid eligible, enrollment data was not available.

Sources: K-12 data from Governor's proposed budget 2000-2016 at bit.ly/Calbudget; higher education data from Grapevine (2000-2007) at bit.ly/grapevdata and from Governor's proposed budget (2008-2016); corrections data from Governor's proposed budget and Corrections at a Glance Annual Report and Department of Corrections Fall Population projections report at bit.ly/CDCRann. Medicaid data from Medicare and Medicaid Statistical Supplements at bit.ly/medicaidstat.

All public functions have experienced general fund volatility in California. Even K-12 education and other protected areas of the budget, with their revenue guarantees or entitlement protections, experienced significant drops in state funding during economic downturns, and they did not have tuition funds to cushion the cuts. But volatility is a particular problem for higher education because funding cuts inevitably lead to tuition increases at precisely the time when students and families can least afford the increases. Demand for college is always counter-cyclical, increasing during and immediately following recessions, and declining afterwards. If higher education is to fill its economic role as a vehicle for economic mobility, steps must be taken to assure that the wheels of opportunity don't come off every time the economy dips. Volatility also creates problems for the institutions in basic management of enrollments—signals that are sent to advisors and students and families about what they can expect. For instance, in the aftermath of the great recession, CSU changed targets four times in one year—because the budget kept changing.

All public functions have experienced general fund volatility in California. Even K-12 education and other protected areas of the budget experienced significant drops in state funding during economic downturns, and they did not have tuition funds to cushion the cuts.

2 Budget practices associated with fixed costs.

Both state and university budget practices treat employee benefits as fixed costs, which means they are funded ahead of all other priorities. Spending on benefits is increasing faster than any other area and is rising three to five times faster than revenues. This problem is exacerbated by a decision-making process that is stovepiped and obscure.

Even as revenues have become less predictable, a larger share of them is needed to pay for the fixed costs of employee benefits for pensions and health care. Fixed costs is a budgetary term meaning that commitments for spending have been made in prior years and must be honored, but the term does not mean that the spending amounts are impossible to change. Typically, however, any changes have to be made over several years. (Data cited in this section is presented in more detail in the background paper by James Hyatt referenced in the table of contents.)

Spending for employee benefits has risen from an average of 25% of compensation before Proposition 13 to between 43% and 48% for UC and CSU. Benefit levels have been improved somewhat over this time, but the primary cost drivers have been growth in the costs of health care and changes in accounting rules that now require benefits committed to retirees to be shown as institutional liabilities or debt. The state has taken steps to address this problem, through reforms in pensions that extend to CSU, and through an infusion of several years of one-time funding allocations to UC to allow that system to reduce its unfunded liabilities in the retirement system. These reforms have helped to reduce the unfunded liabilities, but they have also had the consequence of forcing higher percentage increases in spending for employee benefits than any other area of spending in higher education. Benefit increases are now crowding out revenues that might otherwise be spent on compensation or the hiring of new faculty to allow institutions to enroll more students or to reduce class size.

The current decision-making system protects current employees at the expense of future employees, and older workers at the expense of younger ones.

The decision-making process around benefits is stovepiped separately from decisions about spending on enrollments or tuition levels. The bifurcation of oversight and decision making is particularly problematic in the CSU, where decision-making authority over benefits largely resides in the Public Employee Retirement Board (PERB). UC has its own history of questionable decision making around benefits, as it is still digging out of a 20-year period in which neither the institution nor its employees contributed to the retirement system.

While the problem of spending on benefits and growing institutional debt is well-recognized within California and nationally, the phenomenon will be difficult to change, and changes will have to happen slowly over many years. Pension benefits are guarantees that cannot be reduced for existing employees and retirees, although they can be adjusted for new employees. Health care benefits to current employees and retirees can be changed, although these changes would be painful to implement. Without greater transparency in decision making, allowing all parties to understand the costs and the tradeoffs associated with different options, this level of change will be even more difficult. The current decision-making system protects current employees at the expense of future employees, and older workers at the expense of younger ones. The system also undoubtedly contributes to the growth in teaching done by part-time and adjunct faculty.

3 Outdated academic cost structures.

Outdated and inflexible academic cost structures and subsidy patterns prevent institutions from being able to reallocate funds where needed to increase student access and success.

In both the CSU and UC systems, instructional cost structures have become inflexible, from the elimination of mandatory retirement for faculty to spending patterns that favor upper division and graduate education at the expense of entry-level students. Without new money to pay for increased undergraduate demand, the institutions face real constraints in their ability to reallocate funds from areas where it is no longer needed to areas that will pay off in increased student access and success.

These cost patterns are not dictated by the laws of physics; they are a function of institutional policies and faculty preferences about teaching loads and time, and the linking of costs between undergraduate and graduate education. The cost structures evolved from an earlier era where state funding paid for the higher costs of graduate education through weighted enrollment formulae; those supplemental revenues have long since evaporated, and are now subsidized through reallocations or cross-subsidies from undergraduate education. (See Jane Wellman's paper on budget history, referenced in the table of contents.) The lower costs of undergraduate education also reflect the spending patterns of a previous time, when high rates of attrition from freshmen and sophomore students were common and actually thought to be a form of quality control. No one seriously believes that any more, yet the extra money to enhance teaching and academic support to the students who most need it is not available. We estimate that at CSU about four percent of the funding earned at the undergraduate level is used to subsidize graduate education; at UC we estimate that about 25% of the revenues that are earned through state subsidies and tuition revenues at the undergraduate level are spent on graduate education.

These cost patterns are not dictated by the laws of physics; they are a function of institutional policies and faculty preferences about teaching loads and time, and the linking of costs between undergraduate and graduate education.

TABLE 2:
Credit Hour Distribution and Average Instructional Costs by Student Level[12]

	Percent of all credits taken	Percent of total spending on instruction*
UC		
Undergraduate	85%	61%
Graduate	15%	39%
CSU		
Undergraduate	91%	87%
Graduate	9%	13%

*Spending from core revenues.

Another issue related to academic cost structures has to do with growing importance of cross-sector solutions to increase student success. The funding patterns that are now embedded in academic cost structures evolved at a time when a much smaller proportion of the population went to college, and those that did went to just one, or at most, two, institutions. Those days are gone; the majority of students now accumulate credits for a degree from several institutions. This practice, called student swirling, is particularly common at CSU and in the community colleges. It's in the state's interest to encourage more cross-sector collaborations to improve student success, both around student curriculum alignment and academic advising, while also encouraging the sharing of resources and consortia for academic programs. Distance learning and educational technology also provide opportunities for expanding access beyond traditional place-based teaching and learning. California has a number of student-success programs, many of which are designed to work across sectors. Most of them depend on categorical program funding, or grant funding, which are rarely institutionalized or brought to scale. More needs to be done to encourage these innovations, including fiscally as well as academically. (See Amy Supinger's paper, referenced in the table of contents.)

4 State and institutional decision making.

State and institutional decision makers too often are working at cross purposes, without common goals, shared language, and mutual accountability.

State and institutional decision makers too often are working at cross purposes, without common goals, shared language, and mutual accountability.

State government and higher education systems are complex systems that rely on multiple decision makers at various levels of authority. The absence of shared goals, common fiscal benchmarks, and accountability systems hampers attempts to adequately plan for and manage resources in a way to advance student success.

Another dynamic shaping the current higher education cost problem relates to the decision-making process at the state and institutional levels, and the way that budget requests are developed and priorities set. Multiple individuals and agencies are involved in decision making about higher education finance: the governor and the Department of Finance, the State Legislature (including the Legislative Analysts' Office), the Public Employees Retirement System (PERS), and the two university system boards: the UC Board of Regents and the CSU Board of Trustees. The structure is multifaceted and complex, and its lack of clearly identified long-term goals make discussion among the various positions difficult. California's goals for higher education in terms of enrollment targets and degree production are largely year to year, and are not an adequate guide for the multi-year changes that must be made to recognize a new funding reality. These challenges extend to language itself; basic issues about how to define access, subsidy structures, and funding streams are far too opaque. Discussions about where funding comes from, where it goes, and what it pays for is not common across the systems or among the systems and the state.

WHY MEASURES MATTER

In the absence of common fiscal benchmarks, differences in measures create different narratives about funding realities. These contribute to the miscommunication between people in the institutions and in state government. For example, consider these seemingly divergent statements, all of which are true, but which tell different stories:

Increases in appropriations to higher education? In California, total state appropriations for public higher education more than doubled over the past quarter-century, from $5.6 billion in 1990 to $11.7 billion in 2015. At CSU and UC, state general fund appropriations increased by more than 50% during this period, from $3.7 billion in 1990 to $5.8 billion in 2015.

...or decreases? After adjusting for inflation and enrollment, however, state general fund spending for the CSU and UC decreased by 42% per student over the same 25 years, and spending per student fell by 22% from 2008 to 2015.

Higher education worse off than other state functions? When adjusted for inflation and enrollment, public higher education has experienced a drop in state general fund support since 2000, while K-12 education and corrections have both seen rapid growth. In higher education, state spending per student, after accounting for inflation, has decreased from $7,701 in 2000 to $7,011 in 2015, a nine percent reduction.

...or better off? If student tuition and fees are included, however, inflation-adjusted revenues per student have increased more for public higher education than for K-12 education. In higher education, combined state and tuition revenues per student, after adjusting for inflation, increased from $8,884 in 2000 to $10,707 in 2015, a 21% increase, whereas K-12 funding increased by 14% per capita.

As a consequence, people discussing finance can literally talk past one another. For instance, both UC and CSU routinely understate the state investments in their institutions by counting restricted revenues along with core funding in their base funding levels. The state contributes to the confusion by the way it builds the budget's base funding levels and the way it manages fixed costs. There is nothing pernicious about this; the language is a residue of budget rules that evolved over many years and have not adapted to new realities. But it contributes to a miscommunication that is problematic, as we have seen in the last decade when the state stopped earmarking new money for new student enrollments. Both UC and CSU received enough new funding that they could have paid for enrollment increases if they were not obligated to spend their new money elsewhere. At CSU, "new" money for benefits increased by $244 million over ten years, against a $61 million reduction in spending on salaries. Spending of core funding on salary and benefit increases in UC were considerably higher, averaging three percent per year increases for salaries and considerably more for benefits. The benefits increase in UC reflect the spike in spending from the end of the twenty year "pension holiday." (The table below shows our estimate of total increases for enrollments, salaries, and benefits for each of the systems over the 2004-2014 decade.)[13] This is not to suggest that these needs were not legitimate, but rather to emphasize that there were no serious conversations about tradeoffs and consequences regarding these spending decisions. The results of these decisions are now well documented: UC reduced seats for new freshmen and transfer students, on the basis that they had not received new money to pay for these students, while substantially increasing enrollments of nonresident students who pay higher tuition. And the California State University reduced enrollments by over 70,000 students, because they did not have enough money to accommodate them.

TABLE 3:

2003-04 to 2013-14 Funding increases in Core Revenues to the University of California and the California State University

(Constant 2015 Millions of Dollars)

System	New Enrollments	Salaries*	Benefits*
University of California			
Total $ increase over 10 years	$284	$1,157	$1,161
Average annual change $	$28	$115.7	$116.1
Total % increase 2004-2014		32%	182%
Average annual % increase		3%	18%
Total new enrollment slots funded**	28,394		
California State University			
Total $ increase over 10 years	$365	-$76	$244
Average annual change $	$37	-$7.6	$24.4
Total % increase 2004-2014		-2.9%	29%
Average annual % increase		-0.3%	2.9%
Total new enrollment slots funded**	49,310		

*Salaries and benefits UC totals do not include UCSF. Salaries and benefits CSU do not include CSU Maritime, Naval Postgraduate, or Channel Islands.

**Calculated by using the marginal cost per student formula. For the UC, the state share of marginal cost per student is $10,000; for CSU, the state share of the marginal cost per student is $7,405.

Sources: New enrollments from LAO Budget Analysis at bit.ly/laobudgan, salaries and benefits from Delta Cost Project and IPEDS Expenditure Files at bit.ly/deltacost and bit.ly/ipedsdata. Salaries and benefits are calculated using the Delta Cost Project "education and related" calculation method which is a sum of core operating expenditures spent on salaries and benefits (including instruction and student services and the instructional share of academic support, operations and maintenance, and institutional support). Marginal cost calculations per internal communication with CSU and UC.

LESSONS FROM OTHERS

The problem of eroding funding for higher education is not confined to California; virtually every state has witnessed similar patterns. Moreover, the challenges of higher education finance are not confined to the public sector; both the nonprofit and for-profit private sectors are undergoing fiscal upheavals. While the causes of the funding problems differ somewhat across sectors, there is a common theme of declining revenues, growing costs, and inflexible academic cost structures. As part of our work we examined a range of reform efforts to see if those underway elsewhere might be useful for California. (See Darcie Harvey and Jane Wellman's paper on recent statewide reforms, referenced in the table of contents.) What we found is a growing consensus about the shape of the problem, but relatively little by way of specifics about what to do about it. Outcomes-based budgeting has helped to improve awareness about student success, but there is little evidence that actual spending has changed as a result.[14] Despite the growth in outcomes-based budgeting, most states still approach higher education finance on a year-to-year basis.

Several national study commissions have argued that the depth of the problem is such that it cannot be resolved by states alone and that federal action is needed. We agree that the problem is national in scope and that a re-rationalization among states and the federal government is needed in higher education finance. But we are not sanguine about the prospects of this occurring, given the likely political gridlock in Washington now and in the future.

There are, however, lessons from the private nonprofit sector, notably around revenue smoothing, management of employee benefits, and cost management. Nonprofit institutions routinely look at revenues across a number of years and make annual adjustments to spending necessary to align revenues with ongoing spending. They require higher budget reserves as cushions against abrupt changes in revenues. Spending on employee benefits is lower than in the public sector. And many though not all of the institutions do a better job managing costs and subsidies within their institutions, and have organized their accounts so that unit cost and revenue data are routinely available to deans and department chairs as well as to budget officers. Some of the experiments being tried to import the concepts of responsibility-centered budgeting into public institutions may hold promise, but will likely require changes in financial information to allow academic decision makers to see costs as well as revenues.

A WAY FORWARD

California's system of public higher education remains one of the best in the world, and—even with the state funding cuts of the last 20 years—retains some of the highest public subsidies in the United States and across the world. Still, the capacity of the institutions to continue to meet public purposes is imperiled by a problematic funding system characterized by erratic revenue levels, high and growing fixed costs, weak incentives for strategic reallocations to allow for innovation and improved productivity, and a lack of transparency to internal decision makers, policymakers, and the general public.

The only defense for the status quo is inertia. California can and must do better.

California needs to increase capacity in its public colleges and universities, which will require additional funding and better use of existing funding. The public may be willing to support increased revenues for higher education, but not without some assurances about how those funds will be used. The patterns of erratic and unpredictable state revenue increases and tuition freezes, coupled with periods of sharp budget cuts and precipitous increases in tuitions, provide all the wrong incentives: to spend up to the maximum in good times, and to cut spending in bad times, while forcing students and families to pay more and more for an educational system that is spending less and less on them. No one is being well served by this system—lawmakers, institutional leaders, the majority of faculty who do the teaching without any job security, students, and the general public.

The only defense for the status quo is inertia. California can and must do better, through a reboot of the higher education budget process, to meet public needs and purposes.

If current educational access and degree completion trends are not reversed, we risk institutionalizing inequality in California as prospective students are left out of higher education. Without making substantial change, the cycle of eroding public funding, growing spending on fixed costs, and diminished public trust will likely continue to corrode these institutions that are essential to the future of our state. This is not inevitable; Californians are justly proud of their public higher education system, and we believe that, under the right circumstances, they may be willing to provide the resources needed to secure the future.

Principles to guide reform

The following principles can serve as guideposts for those seeking finance reform for public universities in California:

- All parties must share a common vision of the mission of public institutions and what it means to operate as a public trust, even though the revenue sources for those institutions are becoming increasingly diverse. The narrative that diminishing public revenues inevitably means that the institutions no longer serve public purposes is wrong and dangerous. Meanwhile, the budget process needs to mature to recognize that the institutions are no longer state agencies, and that more sophisticated budget and decision models are needed to address complicated fiscal realities now and in the future.

- There should be an understanding of roles and responsibilities between the state and the institutions as to which types of decisions are to be made by the state and by the higher education systems or campuses. The annual state budget process for higher education should be anchored in long-term (10- to 15-year) goals for student access and success. The role of state funds in accomplishing those goals should be clarified.
- The institutional governing boards need to oversee comprehensive fiscal planning within their systems, focused on fiduciary oversight to maintain the asset on behalf of the public trust and to ensure that fiscal decisions are made following a balanced assessment of both near- and long-term goals. The system boards should also be setting expectations about cost management and productivity, including reallocation of funds and academic program renewal, including planning for new faculty.
- Decision makers at all levels should share common definitions of key fiscal concepts and benchmarks as a basis for evaluating progress and performance. Information about fiscal performance should be contextualized in relation to goals and past performance, and not simply repeat more detailed accounting or fund balance information.
- Decisions about spending priorities should be made following an assessment of alternatives and costs, and in light of a full understanding of the long-term consequences of annual decisions. This applies to fixed costs as well as to program changes.

Recommendations

Recommit to public purposes and to the role of public funds in accomplishing them:

- The state should develop 10- and 15-year plans for public higher education to accommodate all eligible California applicants (as defined by the current Master Plan for Higher Education) and to eliminate baccalaureate degree attainment gaps across racial and ethnic groups. The goals need to include access for transfer students and first-time freshmen.
- The public funding compacts between the systems and the state should be maintained, but should explicitly include the Governor and the legislature as partners to the goals. Both the state and the institutions should be publicly accountable for implementing the compacts, for revenues as well as for spending and outcomes.

Revenue levels and revenue instability:

- The state and systems should address revenue smoothing to reduce volatility from year to year, in order to build better predictability for institutional leaders, the state, and students and their families. This should occur through a combination of steady increases in general fund support from the state, steady increases in tuition, and increases in contingency reserves dedicated to higher education.
- The state share of core funding of public higher education should be maintained at least at current levels. State funds should grow at the same pace as tuition revenues, with modest and predictable annual increases accompanied by need-based aid to protect college affordability for low-income students. The long-standing habit of buying out tuition increases in good times and letting the levels spike in recessions needs to end; students, the institutions, and the state are better served through modest and predictable annual increases in tuition matched with state funding.

Budget practices associated with the fixed costs of employee benefits:

- The decision-making process for employee benefits should be revised to increase transparency and to illuminate tradeoffs between spending on benefits and other options, including salaries, new faculty positions, or lower increases in student tuitions. Legislators and trustees should have readily available survey information about benefits and salaries in comparison institutions. The long-standing habit to fund CSU salaries and benefits through the PERS budget should be ended; the budgets should be included in the CSU Trustees budget and subject to Trustee and legislative oversight, as are all other areas of the budget.

Entrenched academic cost structures:

- Most of the so-called new money in higher education will come from funding that is already in the system; responsibility for strategic reallocation needs to rest at the institutional level, supported with board oversight and public accountability and incentivized by the state.
- The state should provide incentive funding to encourage strategic reallocations, through a special state fund for higher education renewal, designed to help institutions plan strategically to reallocate resources and reinvest in areas that will improve student success and institutional productivity. The state should maintain an economic investment fund in institutional innovation and support activities that will lead to greater efficiency and effectiveness in use of resources.
- The long-standing habit in the University of California of linking increases in undergraduate education with increases in doctoral slots for more teaching assistants should cease until such time as the university has prepared a comprehensive plan for doctoral education.

Improved public accountability and better transparency for fiscal decisions:

- A small set of key indicators must be developed, focused on resource use and performance, with common definitions among the Department of Finance, the state legislature, and both university systems. Examples of key indicators currently missing include: (1) the number of resident students who are denied admission despite being academically eligible to enroll; (2) net tuition revenues, including revenues from nonresident tuition; (3) core funding and the state and student share of funding; (4) uses of institutional financial aid, including tuition discounts or waivers to graduate and undergraduate students; and (5) average spending levels per student by level of instruction.
- An independent assessment of institutional financial information should be conducted, to determine if institutional administrators have timely access to information about revenues and spending with which to conduct their own evaluations about spending and student success. Examples of such information include instructional costs by discipline and level of instruction and faculty workload, including average class and credit hours.

Next Steps for College Futures Foundation

We hope with this report to contribute to a public discussion about the challenges and opportunities facing higher education finance in California. We plan to contribute to that conversation through continued analysis, communication, and engagement with partner organizations. Our priorities in the near term include:

- Collaboration with organizations who are already working in this arena, to expand the work and to bring additional voices into the discussion. In addition to collaboration with others who can help with the research and analysis, we hope to work with community-based groups interested in improving cross-sector collaboration with the aim of increasing educational attainment and student success in college.
- Continued analysis and clarification of proposals in this report, beginning with explication of options for revenue smoothing and increasing state contingency reserves for higher education, and for improved benchmarks about spending.
- Support for an analysis of enrollment capacity in the four-year sector in California, beginning a review of options for a methodology for measuring capacity in a way that is consistent across the two university systems.
- Elaboration of the analytics behind this report, through continued public messaging about the underpinnings for our work, focused on revenue trends, subsidy patterns, and spending patterns.
- Continued assessment of stakeholder opinions about higher education finance in California, through additional focus groups and through polling, to learn how different groups see the challenges as well as their receptivity to reform.

END NOTES

[1] "Education Pays," an annual report from the College Board reporting trends in the economic and social payoff from investments in higher education, available at bit.ly/edhighlights; the Lincoln Project report series from the American Academy for the Advancement of Sciences, available at bit.ly/lincproj; and reports from the California State University, "The Impact of the California State University," available at bit.ly/CSUimpact; and the University of California, "The University of California's Economic Contribution to the State of California, available at bit.ly/UCecon.

[2] Hans Johnson, Sarah Bohn, and Marisol Cuellar Mejia, "Higher Education in California: Addressing California's Skills Gap," Public Policy Institute of California, April 2016, available at bit.ly/highedca; and California Competes, "Mind the Gap: Delivering on California's Promise for Higher Education," December 2015, available at bit.ly/CApromise.

[3] Additional material on data sources and methodologies for this and subsequent sections are provided in the Appendix at bit.ly/appdnx.

[4] See Figure 2 in the Appendix at bit.ly/appdnx.

[5] See Table 1 on page eight of this report and Figure 3 in the Appendix at bit.ly/appdnx.

[6] See Figure 3 in the Appendix at bit.ly/appdnx. Refer also to the section entitled "Applicants and admissions for first-time freshman at CSU and UC" on page 2 of the Appendix for additional details.

[7] "Public Research Universities: Why They Matter," American Academy for the Advancement of Sciences, available at bit.ly/whymatter; Simon Marginson, *The Dream is Over: The Crisis of Clark Kerr's California Idea of Higher Education*, available for download at luminosoa.org; "Former University of California Chancellors Urge New Funding Models for UC," Center for the Study of Higher Education, University of California Berkeley, Occasional Paper, October 2011; Daniel J. Hurley, Thomas L. Harnisch, and Barmak Nassirian, "A Proposed Federal Matching Program to Stop the Privatization of Public Higher Education," American Association of State Colleges and Universities, Policy Matters, January 2014, available at bit.ly/fedmatch. There is also a new documentary film "Starving the Beast," about the ideological shifts in attitudes about higher education.

[8] Some Cal Grants can be used for living expenses as well as tuitions, so the general fund share of tuition revenues is an estimate based on existing distributions of Cal Grant awards by segment. See Appendix at bit.ly/appdnx for details on the calculations.

[9] John Immerwahr and Jean Johns, "Squeeze Play 2010: Continued Public Anxiety on Cost, Harsher Judgments on How Colleges Are Run," February 2010, a joint project of The National Center for Public Policy and Higher Education and Public Agenda, available at bit.ly/sqplay2010.

[10] John Immewahr, "The Fractured Conversation," a presentation to the Texas Higher Education Coordinating Board, January 2010; and Public Agenda, "Campus Commons? What Faculty, Financial Officers and Others Think About Controlling College Costs," available at bit.ly/campcom.

[11] For research on state funding cuts occurring elsewhere in the nation, see the State Higher Education Officers annual reports on state funding trends, available at bit.ly/highedfin; the National Association of State Budget Officers "Financing Higher Education: The Need for a New Approach," 2013, available at bit.ly/newappch; and multiple reports from the National Commission on Financing 21st Century Higher Education a project of the University of Virginia's Miller Center, available at bit.ly/finance21.

[12] Sources and Methodology: Graduate Data from CSU includes post baccalaureate programs including the teaching credential. Graduate data from UC includes both regular graduate programs and Health Science graduate programs. Sources: CSU from Total expenditures per student 2013, bit.ly/CSUexpend; Total term units attempted 2015 bit.ly/termunits; UC from Total expenditures from Expenditures for Undergraduate and Graduate Instruction report, bit.ly/UCexpend; Credit hours from 2015 Accountability report chapter 8 table 8.1.3, bit.ly/UCaccount.

[13] Since none of these measures are reported this way to the state, these figures represent our best estimate of the interplay between funding for new enrollments, against core revenues that went to changes in salaries and benefits. The methodology behind the estimates is in the Appendix at bit.ly/appdnx.

[14] Kevin Dougherty and Vikash Reddy, "The Impacts of State Performance Funding Systems on Higher Education Institutions: Research Literature Review and Policy Recommendations," CCRC Working Paper No 37, Community College Research Center, Teachers College, Columbia University, December 2011; and Nicholas Hillman, David A. Tandberg, and Alisha H. Fryar, "Evaluating the Impacts of 'New' Performance Funding in Higher Education," Educational Evaluation and Policy Analysis, December 2015. Available at bit.ly/newperfund.

About College Futures Foundation

College Futures Foundation works with partners throughout California to increase bachelor's degree attainment among low-income students and others who are underrepresented in higher education. The Foundation operates on the belief that every qualified student in California should have the opportunity to succeed in college and it recognizes that creating a vibrant future for our state requires awarding more bachelor's degrees to broader populations of students. Established in 2005 as a private foundation, College Futures supports work in three areas: improving student transitions toward degree completion; developing and strengthening partnerships across institutions, systems, and regions to drive increases in bachelor's degree attainment; and reducing gaps between policy and practice to advance student access to and success in college.

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One Front Street | Suite 1325
San Francisco, CA 94111