

Governor's Higher Education Plan Overview

Statement of Problem

There are multiple signs that our higher education system is facing a crisis.

- At UC, costs are rising much faster than inflation.
- At CSU, few students are graduating in four years.
- In CCCs, thousands are turned away and relatively few are making it through a complete program of study or successfully transferring.
- Overall, there is no systemwide consensus regarding higher education's purpose, goals, and overall direction.

Financially, the state isn't out of the woods yet.

- The Governor's budget prioritizes higher education. Many other services have also faced big cuts in recent years and will see no increases this year. We need to make the most of every higher education dollar we spend.
- Everyone must do their part: taxpayers, students, and university officials who need to find solutions other than tuition increases to balance their budgets.

Student tuition should not be the go-to budget balancer.

- Student aid doesn't fix the problem: it helps individual students but masks the underlying problem of higher education costs that are rising too fast.
- Every tuition increase reduces access and increases student debt. It's also a quality issue when it disrupts students' progress or forces them to work more while they go to school.
- Tuition hikes also hurt middle class students who didn't expect the increase and don't qualify for much aid.

Governor's goals for higher education

- Improve quality and performance of the system. Students who want to complete college in four years should be able to do so. College education should be relevant to students and enable them to thrive in their career and life after graduation.
- Reinvent higher education system for today's world and the future. We can't simply maintain the 20th century university.
 - Fiscal realities limit all of us, but it's our creativity that allows us to adapt to and thrive within our limits. Universities are extraordinarily resilient institutions, because they are full of smart people. We're excited about the challenge and promise of building a 21st century university.
- Control the cost of higher education so that it stays affordable for students and the state. Yes, the Governor realizes that California's tuition and student debt levels are not as high as those in other states. His aim is to:
 - Provide students some relief after back-to-back years of tuition increases
 - Stop using student tuition to prop up an unsustainable business model
 - Avoid the sky-high debt and tuition levels found in others states

Basic elements of the plan:

- Up to a 20% increase in General Fund appropriations to UC and CSU over a four-year period (2013-14 through 2016-17), representing about a 10% increase in total operating funds.*
- Freeze on UC and CSU resident tuition from 2013-14 to 2016-17. If a segment raises tuition during any of those years, its cumulative funding augmentation beginning in 2013-14 will be forfeited and cannot be earned back.
- For UC and CSU, funding augmentations will be contingent on progress made toward the following goals. (Note: the latest values for the performance measures will be updated this fall to reflect actual 2011-12 values, which will serve as the base year):
 - Ten percent improvement of **on-time graduation rates** by 2016-17 (meaning 4 years for freshmen and 2 years for transfer students).
 - For UC freshmen, an increase from about 62 to about 68%.
 - For CSU freshmen, an increase from about 16 to about 18%.
 - For UC transfers, an increase from about 53 to about 59%.
 - For CSU transfers, an increase from about 23 to about 26%.
 - Ten percent increase in the **number of transfer students** UC and CSU enroll from the community colleges by 2016-17.
 - At UC, an increase from about 15,800 to about 17,400 annually.
 - At CSU, an increase from about 37,200 to about 40,900 annually.
 - Ten percent increase in the **number of degrees completed** by 2016-17 for:
 - First-time freshmen
 - Transfer students
 - Pell Grant recipients (both freshmen and transfers)
 - Ten percent improvement in **undergraduate degree completions per 100 full-time equivalent enrolled students** by 2016-17, to capture improvements in efficiency.
- Flexibility
 - If a segment partially meets its targets, it will still receive a proportional share of its planned funding augmentation.
 - Additionally, segments can recoup any funding lost by missing an interim target if they fully meet a subsequent year's target, up through 2016-17.
 - Segments will be expected to show 1%, 3%, and 6% improvement on each of the outcome measures in the first three years of the plan, respectively, or the segments may propose alternative interim measures and targets provided they can show those interim measures build to the same overall 10% targets in 2016-17.
- Universities will report annually on progress made toward the targets, biennially on spending on graduate versus undergraduate instruction and research, and on any additional measures that are deemed appropriate for tracking effects on educational quality and service to disadvantaged students.

*A note on community colleges: CCCs will also receive commensurate funding increases over the four year term of the funding plan. Corresponding performance measures for CCCs will be developed later this year and introduced in the Governor's 2014-15 Budget proposal.

Anticipated questions

What is the rationale for the 10 percent improvement targets?

- The targets are set at 10 percent because universities' operating funds (General Fund and tuition and fee revenue) will increase by about 10 percent. It provides a simple goal to unify the system.
- Certainly, some targets will be easier to hit than others – that is the rationale for multiple measures and pro-rated funding increases. **Remember: a segment will be rewarded for any progress it makes toward any of the targets at any point during the timeframe of the plan.**
- The performance targets we have set are high, but they are flexible and we feel they are completely achievable.

Universities are trying to rebuild after years of cuts – why raise the bar now?

- It's true that cuts have been severe, but the baseline year was the low point and follows a decade of volatile budgets.
 - If the measures are affected by the budget they should be at their worst in the baseline year, 2011-12.
- This is exactly the right time to ask universities to raise the bar.
 - Taxpayers voted to put more money into higher education.
 - Rather than restoring the same costly structures that have proven unsustainable, the new money should go toward building a smarter university model that provides quality education and ongoing affordability.

UC and CSU are different systems with different challenges – why the same outcome measures and targets for both?

- Both segments need to improve their cost efficiency as an integral part of their ability to provide a high-quality education without continually increasing the financial burden placed on students through tuition and fees.
- However, UC and CSU have different challenges and will make progress in different ways.
 - CSU has comparatively low spending per degree and completion, but needs to improve completion rates. It can become more efficient by increasing its overall through-put and reducing the number of excess units per degree completion.
 - UC has comparatively strong completion rates but very high cost per degree and a steep rate of spending increases from year to year. It can become more efficient by holding tuition constant and finding other ways to balance its budget—namely by reducing costs.
- Yes, some targets will be easier or harder for each system to meet. However, we believe that the collection of targets—paired with the requirement to freeze tuition—will be comparably challenging for the two systems.

Won't the focus on completion pressure the universities to lower their academic standards?

- There are appropriate checks and balances in place to prevent an erosion of quality: academic senates, accreditation procedures, and feedback from students and employers have long been the universities' approach to upholding quality.

- These existing quality-control measures should be refined and strengthened, rather than introducing standardized testing, artificial numeric indices, or other kinds of scores or rankings.

How can UC and CSU control the number of transfers who are ready to enroll?

- UC and CSU are expected to work closely with CCCs to align lower and upper-division coursework and create clear transfer pathways for students that enable them to graduate on time, without accumulating excessive extra units.
- Funding increases for CCCs should lead to corresponding increases in the number of transfer-ready students.