

Keep Tuition Affordable Legislative Package

Testimony of Nathan A. Benefield

Director of Policy Analysis, Commonwealth Foundation for Public Policy Alternatives

PENNSYLVANIA HOUSE STATE GOVERNMENT COMMITTEE

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Good morning, my name is Nathan Benefield; I am the director of policy analysis for the Commonwealth Foundation, Pennsylvania's free-market think tank based here in Harrisburg. I wish to thank Chairman Metcalfe and Chairman Josephs and the members of the committee for the opportunity to testify today.

While today's hearing focuses on four bills before this committee, I recognize that these are part of a larger package of reforms being introduced by Rep. Roae, and that they fit into the context of broader discussions of higher education funding and reform, including a new commission convened by Gov. Corbett. So I would like to begin with some perspective on higher education in Pennsylvania, then offer some comments on these specific bills.

There are two main problems with the status quo in higher education. The first is the rising cost of attending college. Tuition growth at public universities has far exceeded the rate of inflation in recent years.

While students rarely pay "sticker price" (nationally, fewer than 12 percent of students at private institutions paid the sticker price last year, according to the College Board), actual end prices and student debt have been rising just as rapidly. Pennsylvania college seniors who graduated in 2010 carried an average \$28,599 in debt, about \$3,000 more than the national average, and the 5th highest among the 50 states.

This price increase has been driven by the growth in university spending. Public universities in Pennsylvania spend, on average, \$79,514 per student completion, compared to the national four-year public average of \$68,617. Cost drivers include a dramatic increase in the number of administrators per student ratio, an increase in spending on construction and new buildings, and a decline in the amount of time faculty spend in the classroom.

Compared to our state-related universities, state system schools have done better in controlling costs. Tuition and required fees at PASSHE schools increase 76 percent over the past 10 years, compared with increases at Pittsburgh and Penn State of more than 100 percent, and growth of nearly 90 percent.

Of course, that isn't to say there isn't wasteful spending at state system schools. For an example, look no further than long-time California University of Pennsylvania president Angelo Armenti Jr. Armenti was fired after massive construction cost overruns on a new convocation center and an audit that revealed numerous examples of questionable use of university dollars.

The second, and arguably more troubling trend, is the lack of academic performance by institutions of higher education. On average, 60.3 percent of students enrolling in Pennsylvania's four-year public universities don't graduate in four years. Almost 38 percent will not graduate in six years.

So far I have talked about legislation that detrimentally impacts student academics, instruction, and extracurricular needs. The last bill on the committee's hearing agenda affects student safety and the physical learning environment.

House Bill 2444 prohibits the State System from entering into contracts for any construction, maintenance, repair, or renovations on any campus after June 30, 2014. Starting July 1, 2014, PASSHE must submit a written request to the Department of General Services, which must provide written certification that an emergency condition exists and that it jeopardizes health and safety of students, employees, or the public.

Because of increasingly limited budgets, PASSHE universities are already far behind in building repairs and maintenance. In fact, its building maintenance backlog totals \$2 billion. Sixty percent of PASSHE's buildings have not been renovated in 25 years. According to Sightlines, a national firm specializing in benchmarking higher education facilities, PASSHE is not adequately investing in building maintenance. Instead of saving money, this bill would create situations where the health, welfare, and safety of students and the public would be put at risk.

These four bills, coupled with the rest of the so-called "Keep Tuition Affordable" package single out the Pennsylvania State System of Higher Education and cripple its ability to provide a quality education. If these bills are passed, they will change the very nature of the State System. Enrollment will decrease at all fourteen universities, faculty members, coaches, and staff will leave for better jobs, buildings will become useless, and ultimately, our students will suffer. There is no benefit to any of these bills, and I don't think anyone on this panel wants Pennsylvania to be known for inferior state-owned universities.

Thank you for your time.

At state system schools, six-year graduation rates range from 24 percent at Cheyney University to 65 percent at West Chester University. Unfortunately, taxpayer subsidies of universities have never been tied to performance.

Graduation Rates at SSHE Schools, 2010		
Institution Name	4 Years	6 Years
Bloomsburg University of Pennsylvania	41%	63%
California University of Pennsylvania	33%	55%
Cheyney University of Pennsylvania	13%	24%
Clarion University of Pennsylvania	26%	49%
East Stroudsburg University of Pennsylvania	36%	58%
Edinboro University of Pennsylvania	23%	45%
Indiana University of Pennsylvania-Main Campus	31%	54%
Kutztown University of Pennsylvania	33%	54%
Lock Haven University	30%	53%
Mansfield University of Pennsylvania	26%	45%
Millersville University of Pennsylvania	37%	61%
Shippensburg University of Pennsylvania	43%	60%
Slippery Rock University of Pennsylvania	36%	61%
West Chester University of Pennsylvania	39%	65%

Source: IPEDS: <http://nces.ed.gov/ipeds/>

Given this context, the Commonwealth Foundation has three recommendations that should guide higher education reform to make Pennsylvania's universities more responsive to the needs of students and lower the cost of higher education for families and taxpayers.

Fund students, not institutions. The first principle of reform is that taxpayer funding should be aimed at students, which is more effective at reducing college costs than direct appropriations to selected schools.

Institutional subsidies have done little to stem the tide of rising tuition. One study finds that for every dollar of taxpayer subsidies to institutions, only 30 cents goes toward lowering tuition. Flat grants to students, which don't vary with university tuition, would be a more effective tool for making college more affordable.

Moreover, student grants—in particular federal student aid—provide perverse incentives. That is, "student need" is typically calculated using the cost of tuition at the chosen university. Students attending more expensive schools can get larger grants and subsidized loans. This encourages universities to raise tuition to get more funding from taxpayer sources. Rather, state (and federal) student aid should be flat grants to students based solely on their family income and wealth.

Shifting taxpayer funding in this direction would foster competition among institutions by encouraging them to first consider the student's needs and ability to pay. University funding would be solely based on their ability to attract students, making them more accountable to demonstrate their value to students. It would also take politics out of higher education funding, in which schools are rewarded for

the success of their lobbyists.

Moreover, such reform would help ensure students attend the right school for them. While most careers today require some education beyond high school, this does not always mean a four-year college program. Indeed, many students would be better served attending community colleges, vocational schools, or other professional programs and training where they are more likely to get career skills, as well as more likely to finish their degree or certificate program. A funding system which treats students equally regardless of which institution they choose would better provide for the educational needs of our workforce.

Emphasize instruction over research. To the extent taxpayers continue to support specific colleges and universities, these funds should be dedicated to the education of students, not to auxiliary functions. Over the years, lighter teaching loads have been implemented to encourage more research at universities. This trend drives up the cost of higher education as institutions must hire additional faculty.

State system schools were established with a mission to provide high quality education at the lowest cost (with a specific focus on preparing future teachers). And notably, PASSHE schools have not seen the dramatic decline in faculty time with students that has occurred at Penn State and Pittsburgh, based on the annual reports provided by the Pennsylvania Joint State Government Commission.

Change in Weekly Faculty Hours 1979-2010						
	FT Faculty	Total Student Contact	Instructional Support	Research	Other University Service	Total
Lincoln	88%	7%	-8%	21%	143%	15%
Penn State	87%	-27%	-11%	93%	-41%	-2%
Pitt	94%	-29%	-28%	55%	-9%	-2%
Temple	23%	-14%	22%	24%	-32%	0%
SSHE Schools (Total)	64%	-8%	-2%	6%	9%	0%

Source: Joint State Government Commission, *Instructional Output and Faculty Salary Costs of the State-Related and State-Owned Universities* <http://jsg.legis.state.pa.us/>

Tie university funding to policy goals. The third principle for reform is that students and universities must be held accountable for any taxpayer support they receive.

For starters, university funding should be explicitly tied to reductions in tuition. Prior to this year, there was not direct tie between state funding for universities and tuition decisions. As part of the budget deal, in exchange for getting the same funding as last year, state schools agreed to hold tuition increases to 3.2 percent.

Funding decisions should also take into account academic performance. However, the lack of information on student outcomes and teaching performance makes accountability difficult. Did the University of Pittsburgh have a strong academic performance last year? It is hard to say. Commercial college rankings, like *U.S. News and World Report*, are of limited use because they measure inputs, (like the SAT scores of incoming students), not educational quality.

Finally, universities that receive taxpayer funding should exhibit complete transparency. Under the current Right-To-Know law, state-related universities—Penn State, Temple, the University of Pittsburgh

and Lincoln—are exempt from standard right-to-know requests. The current law requires the universities to post their 990 tax forms, the salaries of officers and directors, and the highest 25 salaries, but these documents provide little insight into universities' enormous spending. In the wake of the Jerry Sandusky trial, there has been a renewed push for requiring full transparency from state-related universities (other bills before this committee address that issue). All taxpayer-supported institutions should be subject to full transparency and provide more rigorous performance and outcome data.

So given this context and principles for reform, I'll offer a few comments on the bills under discussion today.

- House Bill 2442 would make the payment of the student activity fees voluntary for state system students. This reform would help make state system schools more affordable, and would focus on academics, not extracurricular activities. The mandatory fees at PASSHE schools range from \$1,557 to \$2,729 per student for 2012-13.

To the extent these fees can be made optional—that is, students can be excluded from activities and programs they choose not to pay for—they should be.

- House Bill 2443 would prohibit PASSHE schools from providing free or reduced tuition to relatives of employees of any state system institution. While this benefit for faculty and staff certainly has a high cost attached to it, and elimination would save money and potentially allow for tuition reductions, it is also a common benefit among public and private universities. Eliminating this benefit could hamper state system school's ability to attract quality faculty and staff.

Compensation and benefits for state system employees certainly need to be considered carefully in light of the cost to taxpayers and students, but HB 2443 is problematic as a stand-alone bill.

- House Bill 2444 would establish a moratorium on new construction at PASSHE schools through June 2014. Given fiascos with certain construction projects at PASSHE schools, and the rising cost of universities' "edifice complex," this addresses an important problem. However, it is only a temporary solution, as universities will need to construct new buildings, and reform must ensure these projects are done responsibly and cost-effectively.
- House Bill 2446 would prohibit PASSHE schools from providing paid sabbaticals to their employees. While some universities do provide this benefit, it is largely an incentive for research institutions. As PASSHE schools, and taxpayer support for them, are intended to provide instruction to college students, paid sabbaticals divert resources away from teaching and add to the cost of tuition.

Paid sabbaticals are a benefit that could be done away with without harming, and arguably enhancing, the quality of education.

I thank you for the opportunity to testify today, and look forward to any questions.

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2442 Session of
2012

INTRODUCED BY ROAE, TALLMAN, LAWRENCE AND MOUL, JUNE 6, 2012

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JUNE 6, 2012

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," in State System of Higher Education,
6 further providing for power and duties of institution
7 presidents.

8 The General Assembly of the Commonwealth of Pennsylvania
9 hereby enacts as follows:

10 Section 1. Section 2010-A(6) of the act of March 10, 1949
11 (P.L.30, No.14), known as the Public School Code of 1949, added
12 November 12, 1982 (P.L.660, No.188), is amended to read:

13 Section 2010-A. Power and Duties of Institution
14 Presidents.--The president of each institution shall be
15 appointed by the board. The president shall be the chief
16 executive officer of that institution. He shall have the right
17 to attend all meetings of the council of that institution and
18 shall have the right to speak on all matters before the council
19 but not to vote. Subject to the stated authority of the board
20 and the council, each president shall have the following powers
21 and duties: