Higher Education Spending & Performance

Gov. Tom Corbett's FY 2011-12 budget proposal includes $63.6 billion in total operating spending—$27.3 billion in General Fund spending—a reduction of $3.3 billion from FY 2010-11. This budget restores overall spending to pre-stimulus levels and proposes no new taxes. This is the second in a series of fact sheets on the state budget.

TAXPAYER SUPPORT FOR HIGHER EDUCATION IN PENNSYLVANIA

- Pennsylvania supports public higher education through appropriations to 14 State-owned universities (State System of Higher Education, or SSHE), four State-related universities (Penn State, Pitt, Temple, and Lincoln), community colleges, and the Pennsylvania Higher Education Assistance Agency (PHEAA), which awards grants directly to students.

- Gov. Corbett's budget proposal reduces state taxpayer subsidies to State-related and State-owned universities by 50%.
  ⇨ For State-owned (SSHE) schools, this represents an average reduction of 15% of their total budget.
  ⇨ The reduction for State-related schools represents between **4 and 5% of the operating budgets** of Penn State and Pitt, and approximately 10% at Lincoln and Temple.

- The vast majority of colleges and universities in Pennsylvania operate without direct state appropriations. More than 200 private colleges and universities in the Keystone State enroll more than 360,000 students.

TAXPAYER SUBSIDIES NOT LINKED TO RESULTS

- Taxpayers subsidize universities regardless of their performance. The percentage of students enrolling who **don't graduate** in four years ranges from 42% to 89% at Pennsylvania's public universities.
  ⇨ At SSHE schools, **69% of students don't graduate in 4 years**. Cheyney University has the worst SSHE graduation rate, with only 11% of their students earning a degree in four years.
  ⇨ At Penn State's main campus, 58% of students graduation in 4 years. This compares with 11% to 45% at its 19 branch campuses, where *enrollment has been declining.*

- Higher education subsidies do not generate economic growth.
  ⇨ Ohio University professor Richard Vedder, compared the 10 highest growth and 10 lowest growth states from 1980 to 2011 and found the high growth states spent a good deal less on higher education subsidies than low growth states. Higher taxpayer spending on higher education, in general, was associated with **lower economic growth.**

- Free speech is not respected.
  ⇨ Shippensburg University was sued over its unconstitutional "speech code." Both Millersville and Indiana University of Pennsylvania (IUP) have policies that violate students' First Amendment rights, which in addition to stunting students' intelligence, can also be expensive due to lawsuits.

- Universities are not ensuring students receive a solid education.
  ⇨ None of our public universities requires its students to take a basic course in economics or American history.
  ⇨ According to a report from the U.S. Department of Education, 26% of graduates of four-year colleges can't reliably calculate the cost of ordering office supplies from a catalog.

⇨ A report by the Association of American Colleges and Universities found 63% of employers believe that too many recent graduates **do not have the skills to succeed** in the global economy.

INSTITUTIONAL SUBSIDIES DON'T PREVENT TUITION HIKES

- Tuition at public universities has ballooned, despite taxpayer support.
  - ⇨ Taxpayers provided nearly $3.5 billion to Penn State over the last decade while **tuition doubled to $15,250.**
  - ⇨ The University of Pittsburgh received about $1.7 billion in direct taxpayer subsidies over the last ten years, while **more than doubling tuition to $14,936.**

- Pennsylvania students are being saddled with higher than average debt and struggle to pay it off as many never receive a degree.
  - ⇨ The average Pennsylvania graduate's total debt was more than $27,000 in 2009.

WASTEFUL SPENDING AT PUBLIC UNIVERSITIES

- Administrative costs at universities throughout the commonwealth have skyrocketed.
  - ⇨ Penn State increased administrative staff per student by 70.8% between 1993 and 2007. The University of Pittsburgh increased administrative staff by 54.7%, according to a Goldwater Institute study.
  - ⇨ About **two-thirds** of SSHE revenue (tuition and taxes) goes towards services and auxiliary functions outside the classroom.

- Public universities have gone beyond providing a low-cost college education to engaging in recreational activities and running food and housing businesses.
  - ⇨ IUP invested in a new recreation center including a golf simulator with 52 different golf courses. And former President Tony Atwater set a SSHE spending record on food, travel, and residential costs, totaling more than $400,000 in 5 years.

- Universities have spent resources constructing new buildings that are unnecessary to provide their mission, yet plans to build continue.
  - ⇨ Penn State has reduced early morning classes because they are unpopular with students and some faculty, while the university's strategic plan suggests facilities are being underutilized.

CHANGING HOW TAXPAYERS FUND HIGHER EDUCATION

- Neither historical levels of taxpayer support (what universities received last year) nor sentiment toward institutions justifies taxpayer funding for selected universities.

- All higher education funding should go directly to students, which is more effective at reducing college costs than institutional support.

- Online learning and for-profit schools are the fastest growing segments of higher education. Government needs to fund higher education accordingly.
  - ⇨ PHEAA's plan to provide greater student aid for online courses is a move in the right direction.

- Students, colleges, and universities should be held accountable for the taxpayer support they receive.

- State higher education should be reorganized, including severing the taxpayers' earmarked financial support to specific universities.

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