

HIGHER EDUCATION, STATE DISINVESTMENT, AND NEED-BASED FINANCIAL AID

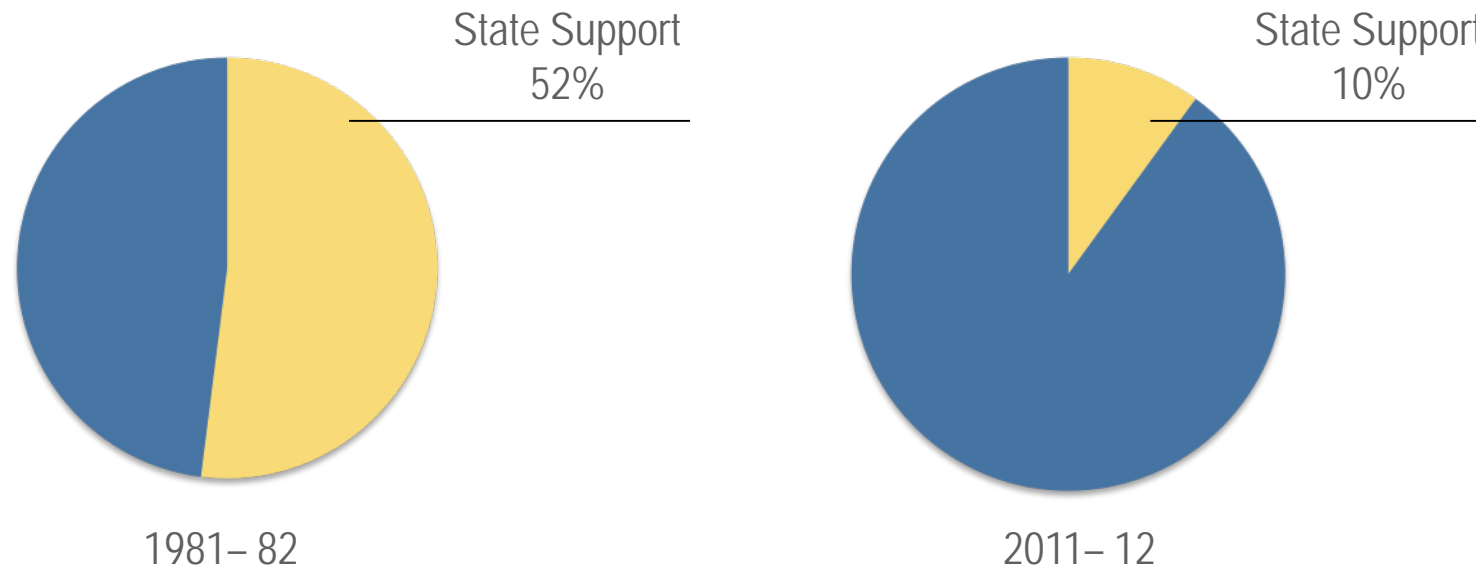
Cal '68

December 9, 2017

Robert J. Birgeneau

State disinvestment is putting public higher education at risk

Decline in Berkeley's State Funding



Berkeley State Funding 2011–12

California slashes education funding

SACRAMENTO — California college students are bracing for higher tuition bills and fewer courses and campus services as a new state budget that again slashes spending on education.

Gov. Brown signed Thursday by Gov. Brown inflicts the blow to California's higher education system. The governor has helped make the state a model for economic power.

Under the budget, the University of California and California State University each lose at least \$200 million in state funding, a cut of 20 percent. The two systems could each face another \$100 million cut if the state takes in less revenue than expected.

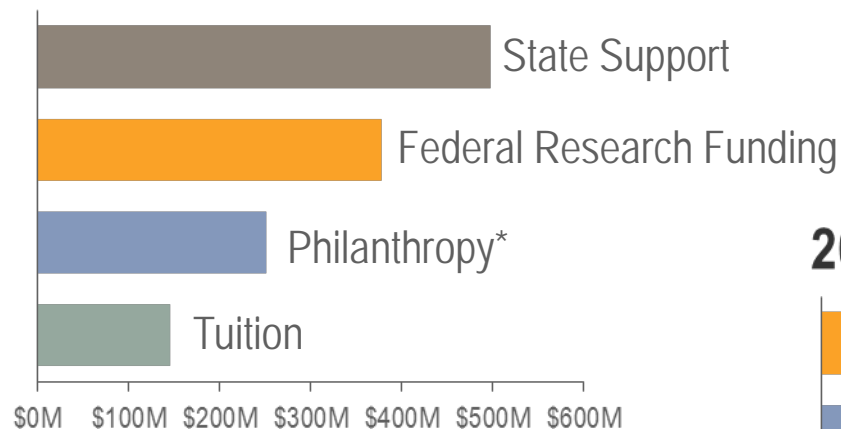
The 112-campus community college system will lose \$400 million in state funding and fees will increase from \$26 to \$36 per student. The system could lose \$100 million and raise

\$590M compact with governor...
but only \$240M received.

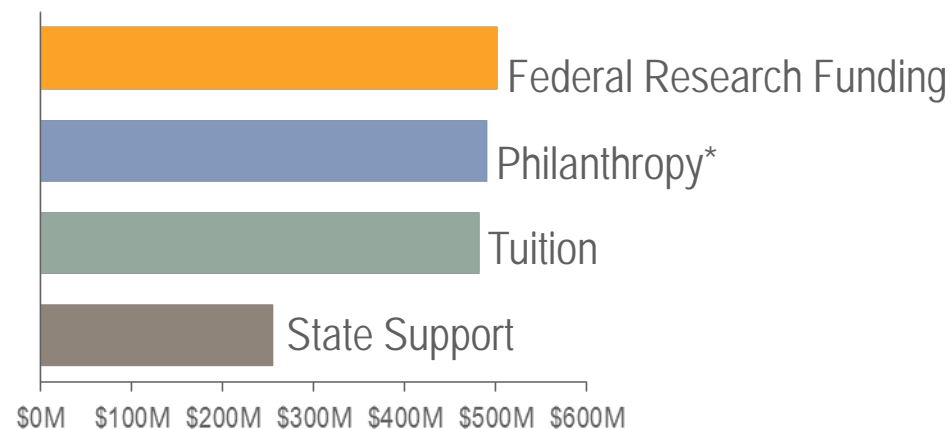
- \$350M shortfall
- Salary/benefits of 4,000 staff

Our Primary Sources of Funding Have Changed

2003



2012



**Includes private gifts and investment income*



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The Lincoln Project

U.S. Public Research Universities:
Recommitting to Lincoln's Vision,
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Mary Sue Coleman

Co-Chair

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Association of American Universities

Robert J. Birgeneau

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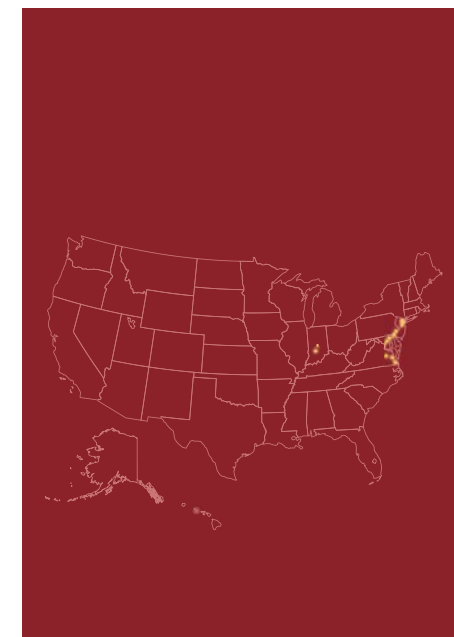
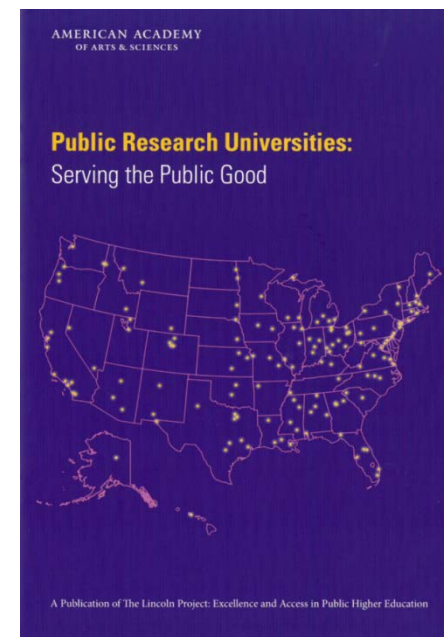
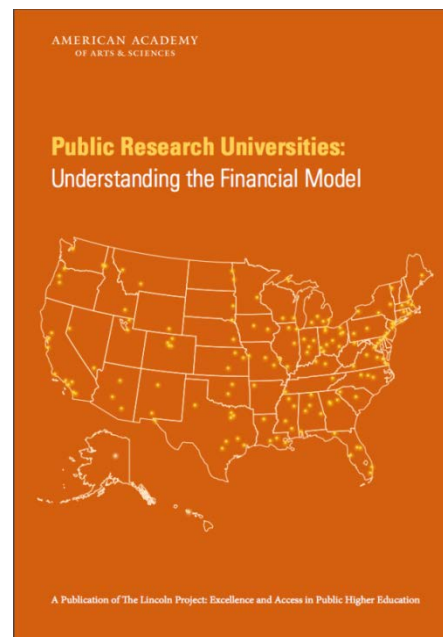
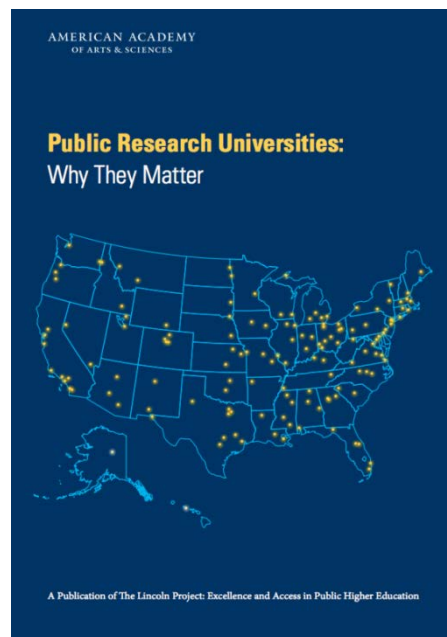


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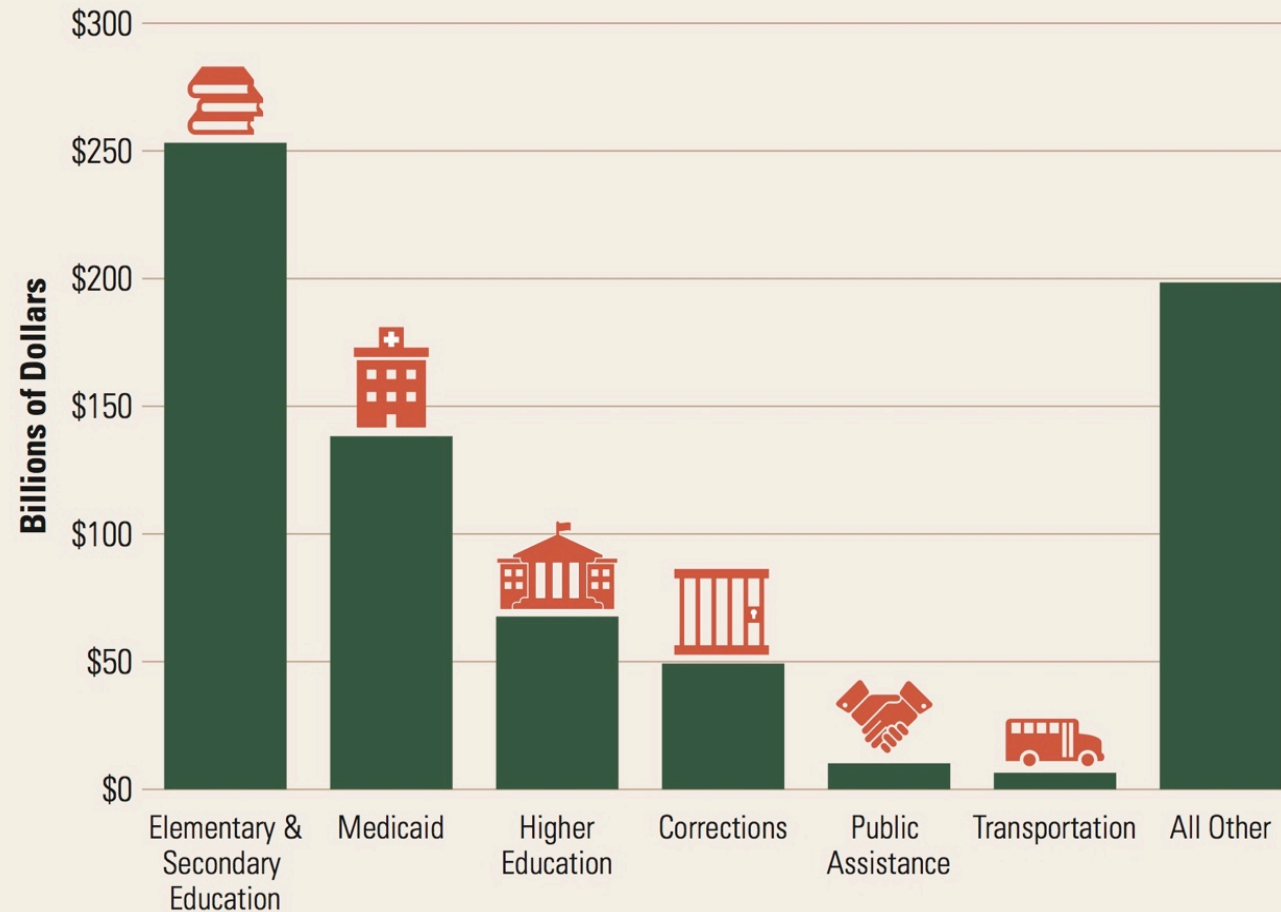
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Figure 1: **State General Fund Expenditures in 2014 (Estimated), by Category**

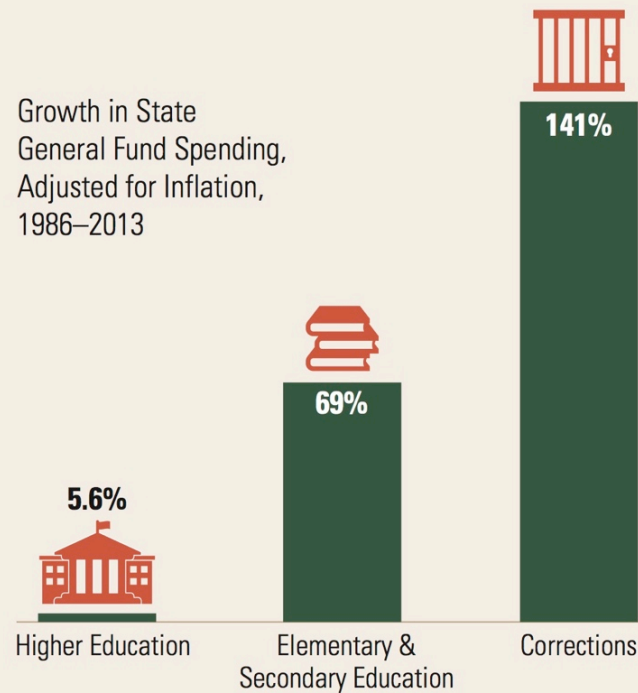




State Spending on Corrections

In general, state spending on corrections has grown much faster than education spending. In eleven states, corrections has now surpassed higher education as a percentage of funding.

Figure 7: **State Corrections Spending Has Grown Much Faster than Education Spending over the Last Three Decades**



Source: Center on Budget and Policy Priorities analysis of data from National Association of State Budget Officers, *State Expenditure Report* (various years, 1986–2013) (Washington, D.C.: National Association of State Budget Officers, 1986–2014), <http://www.nasbo.org/publications-data/state-expenditure-report/archives>.



AFFORDING THE DREAM:
Student Debt and State Need-Based Grant Aid
for Public University Students

CSHE.4.17, February 2017

Charlie Eaton, Sheisha Kulkarni, Robert Birgeneau,
Henry Brady, and Michael Hout
Stanford University – UC Berkeley – New York University

Share of Full Time First-Year Students Receiving Pell Grants

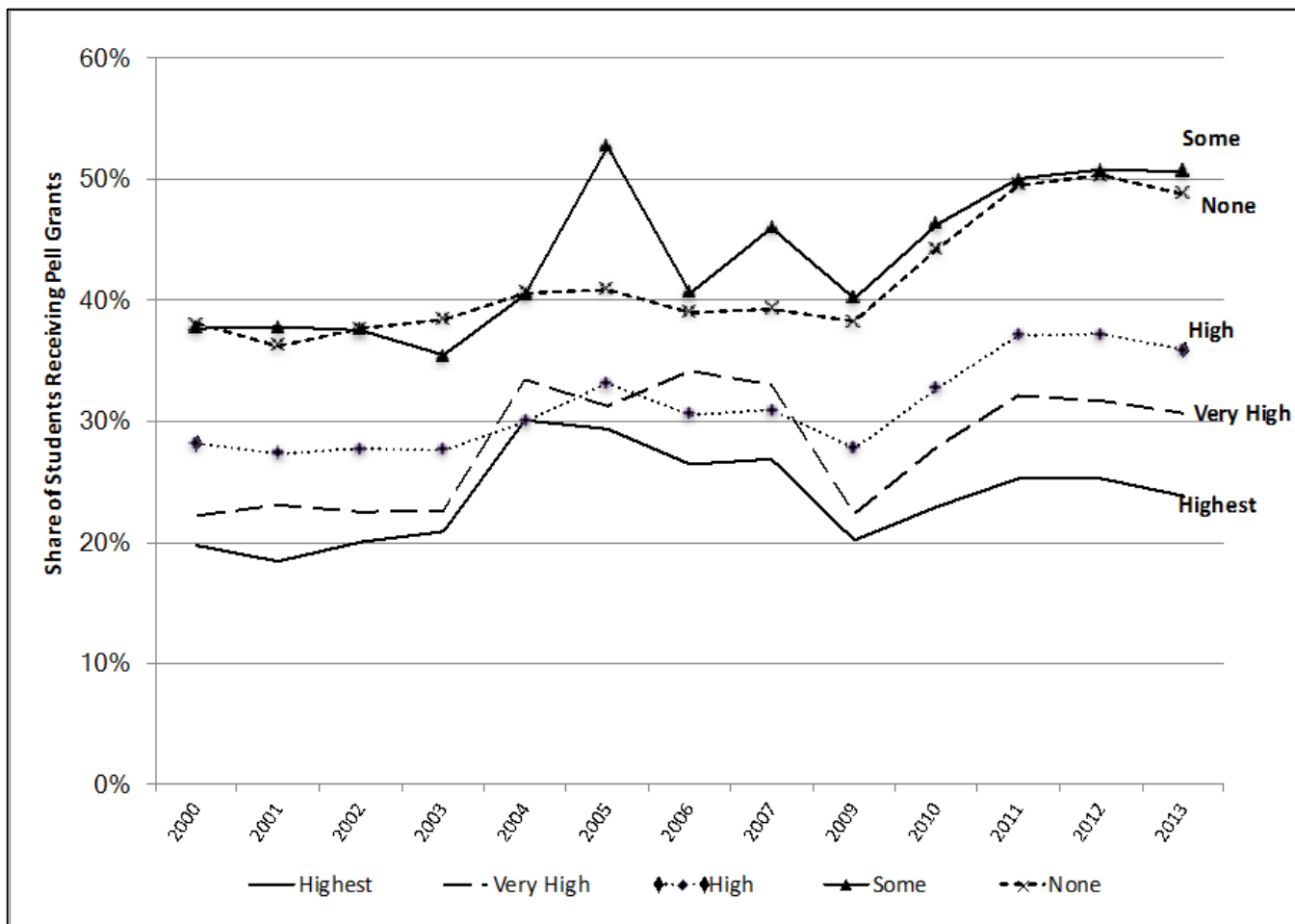
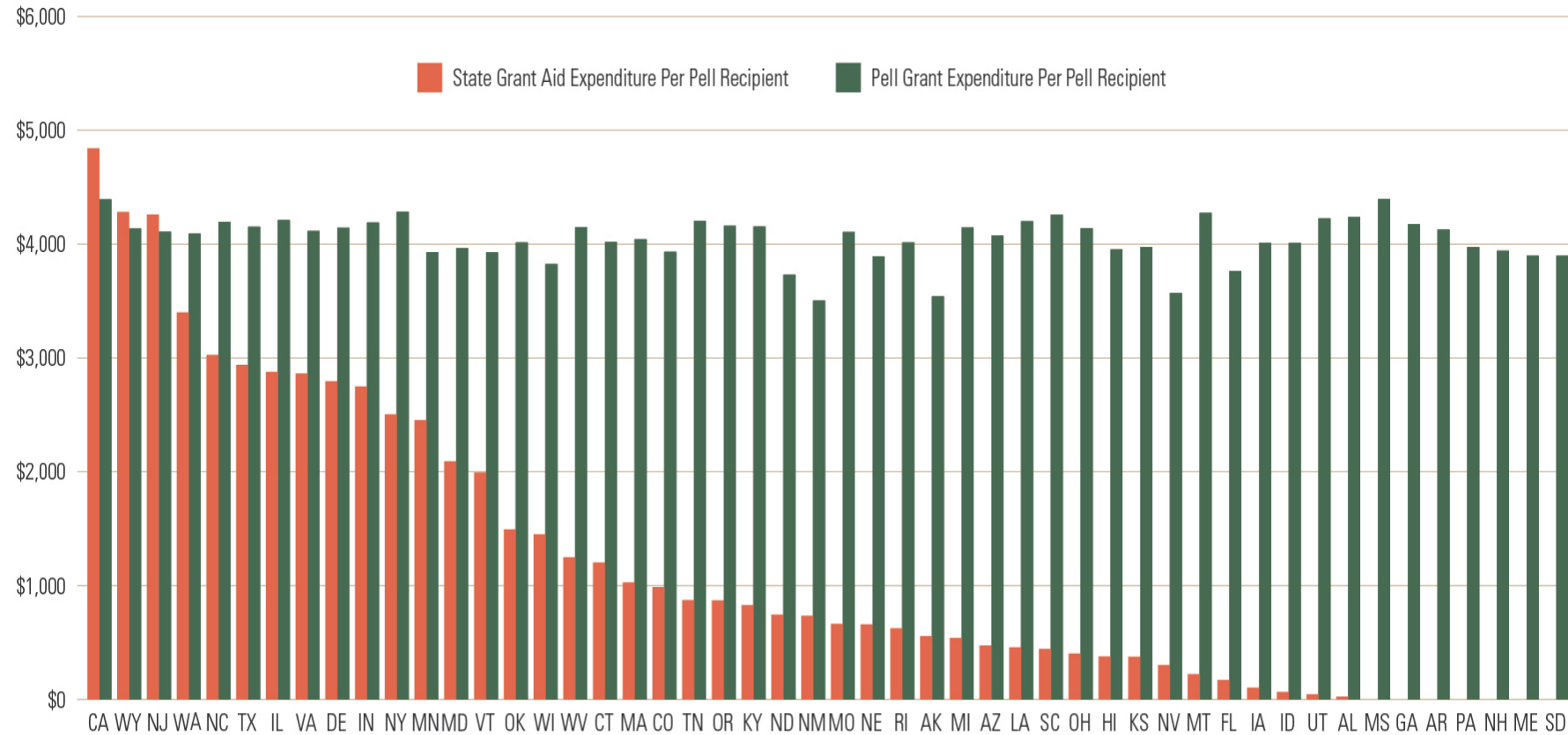


Figure 7: **Pell Grant Aid vs. State Need-Based Grant Aid Per State University Pell Recipient**



Source: NASSGAP and IPEDS. Spending for all 4-year public schools.

Public University Student Debt In Perspective

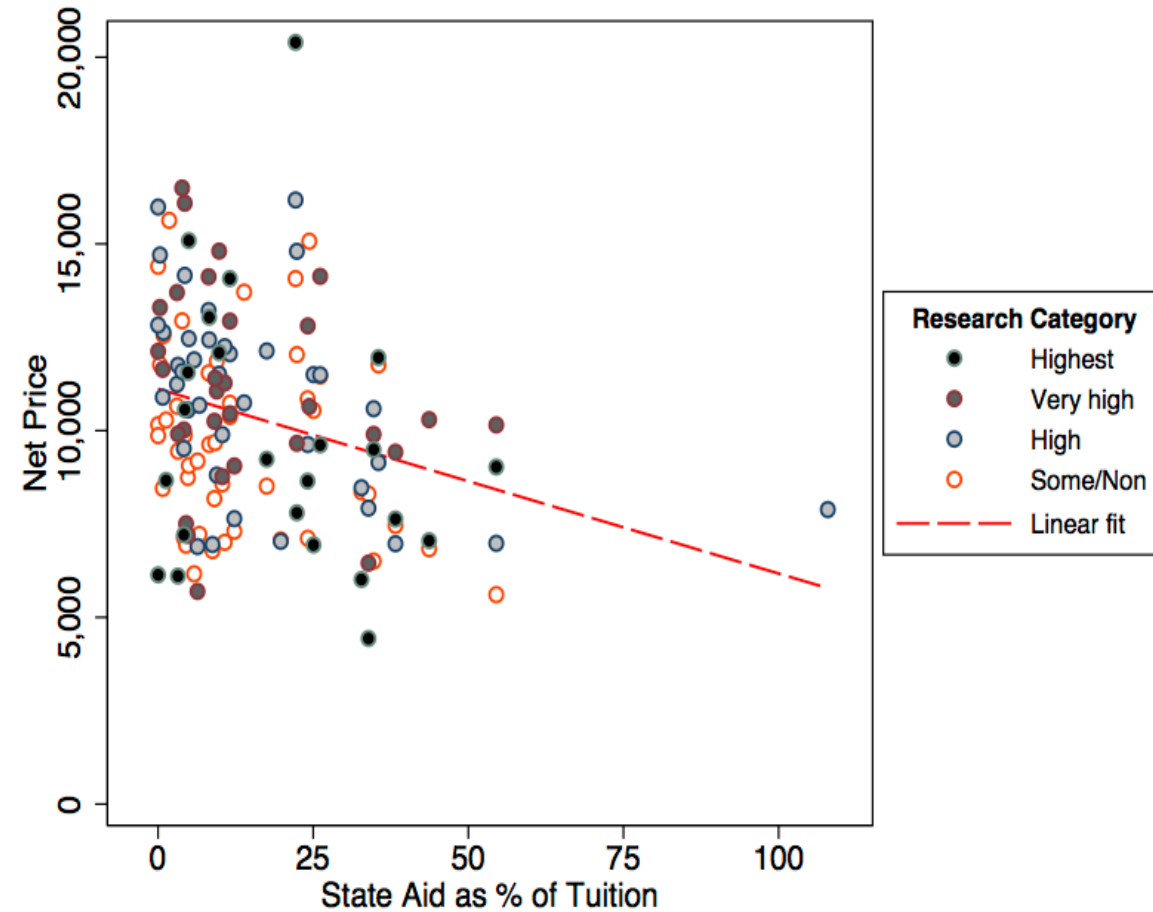
Percentage of bachelor's degree recipients from public, 4-year institutions by cumulative amount borrowed.

Among public university undergraduates who borrow, the average student debt balance at graduation is \$25,500. The average amount for all graduates, including the 36 percent of students who finish with no debt, is \$16,300. Nearly 4 out of 5 of such students complete their degrees with less than \$30k in debt, and just 2 percent have debt in excess of \$60k. Those are the facts!

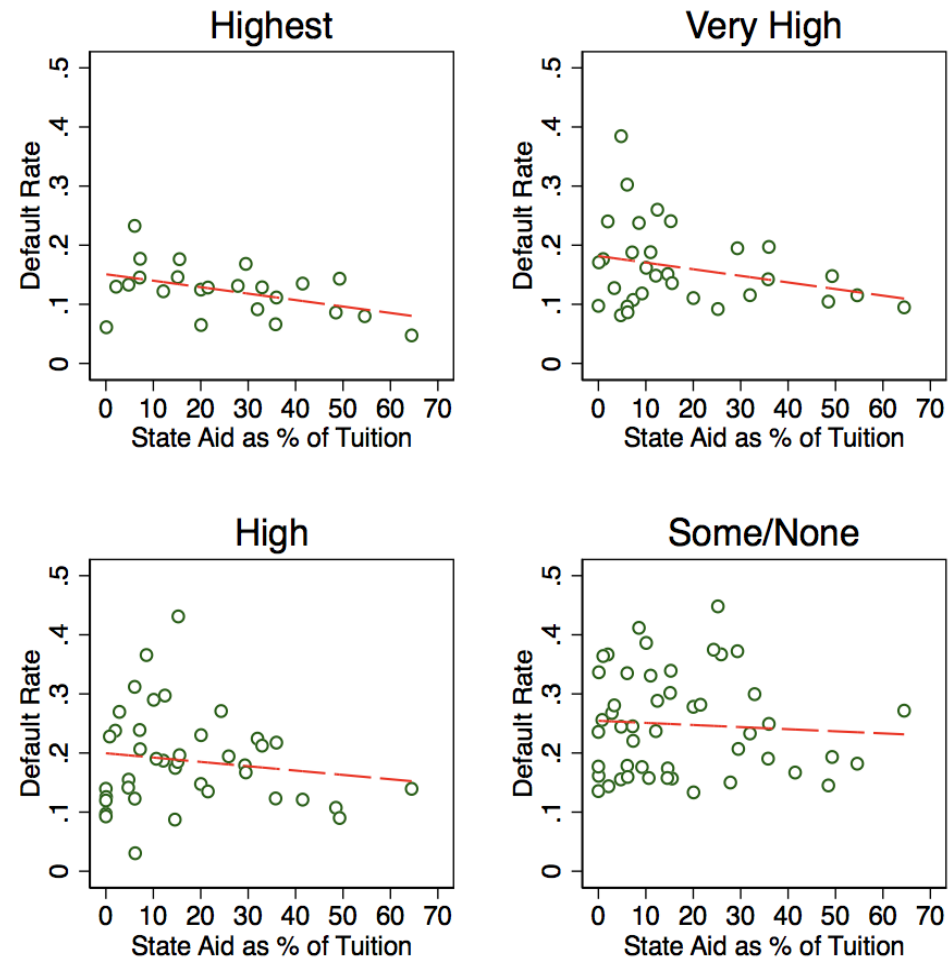


Source: U.S. Department of Education, National Center for Education Statistics, 2011–12 National Postsecondary Student Aid Study (NPSAS:12).

Actual Net Price for Low-Income Students and State Aid



Low-Income Student Loan Defaults and State Aid by Research



UC Berkeley Financial Challenges

- | | |
|--|--------------------------------|
| 1. 14% pension contribution since 2008 | \$125M extra cost |
| 2. Health care | \$75M cost increase since 2008 |
| 3. Rebenching | \$40M loss |

Total: \$240M annual cost burden

UC Berkeley Financial Challenges, cont.

- | | |
|--|--|
| 4. Out of state/international students | \$100M increase in revenue since 2011 |
| 5. Tuition frozen for 6 years beginning 2011 | \$100M annual lost income
\$50M lost financial aid = \$3,000 increase in debt for low-income students |

Conclusions

1. There is a dire need for increased state-funded need-based financial aid in all but a few states.
2. ~80 percent of graduates from public universities have debt under \$30,000
3. Low-income students are twice as likely to attend public universities with little or no research
4. Loan default rates are ~10 percent at top public research universities and ~35 percent at non-research public universities.