

**Senate Interim Committee on the Cost of a College Education
Ms. Kathryn F. Swan, Chair, Missouri Coordinating Board for Higher Education
August 30, 2006**

(Slide 1) Chairman Nodler, members of the committee,

I appreciate the opportunity to appear before you today. On behalf of the Coordinating Board for Higher Education, thank you for initiating a process to examine the role and structures of state funding of higher education in Missouri that will result in conscious, strategic decisions regarding the state's financial support of higher education. The Coordinating Board for Higher Education and the Missouri Department of Higher Education stand ready to assist you in any way that will be helpful.

Considering the role of the state in funding a college education

In the early 1960s in Missouri, as well as nationwide, the children of the "baby boom", many of them children of war veterans, were reaching college age. These young men and women have impacted American society at every stage of their lives, and their entry into higher education was no exception. The citizens of Missouri, however, understood the value of providing accessible and affordable education to this new (and sizable) generation. Therefore, they made a commitment, a social covenant, to accommodate the coming boom.

In 1961, the Missouri legislature passed a bill that created an additional pathway to provide access to higher education at an affordable price. Contiguous public school districts were allowed to form local community college districts. In a short time, some existing junior or community colleges quickly grew to the point where local demand and enrollment justified their transformation into four-year colleges. Both Missouri Western

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and Missouri Southern became baccalaureate institutions in the 1960s. To meet growing demand, the University of Missouri also expanded during this period by adding two urban campuses; the University of Kansas City joined the system in 1963, and the St. Louis campus was founded that same year. Since their formation or integration into Missouri's system of public higher education, each campus has thrived. In fall 2005, over 85,000 students were enrolled at Missouri's public community colleges while Missouri Southern and Missouri Western each enrolled over 4,000 students, and the University of Missouri-Kansas City and the University of Missouri-St. Louis each enrolled over 9,000 students.

Whatever their origins, however, the people of Missouri understood well the benefits of supporting institutions of public higher education and of providing accessible and affordable education to young students and returning workers. That is still the case, although the nature of that support has changed in the decades since, especially in recent years. Even without discussions of the amount of funding, we know that nationally, the balance of funding for higher education has shifted away from general revenue funding of institutions, toward funding by and through students, including loans, grants, scholarships, tax-deferred savings plans, and base tuition. According to a recent article published by the Carnegie Foundation, "A Call for the Miracle Model," base state funding now accounts for only 30 percent of the average operating revenue of public colleges and universities, down from over 50 percent as recently as the 1980s. We can certainly see a similar transition in Missouri.

(Slides 2-4) As you can see in the following three slides, the amount of funding Missouri's public institutions receive from tuition and fees has surpassed the

amount received through state appropriations. This transition occurred for public four-year institutions and community colleges in FY2003, and for Linn State Technical College in FY2005.

As this transition has taken place, much research has been published regarding the value of higher education for individuals as well as for Missouri. For individuals, we know that college graduates earn higher salaries as educational attainment increases.

(Slide 5) In a recent analysis of the earnings of graduates of Missouri's public colleges and universities, we see that baccalaureate graduates working full time in Missouri in the fourth quarter of 2005 were earning an average annualized salary of over \$30,000. In the same time period, we find masters graduates earning over \$44,000, doctoral graduates over \$50,000, and "professional" degree earners such as lawyers and engineers at over \$52,000. We know higher individual earnings have a multiplier effect throughout the economy and positively impact many other measures, including state tax revenue.

As the next slides detail, we know that educational attainment also increases literacy, voter participation, civic engagement, and decreases crime.

- **(Slide 6)** The recent National and State Assessments of Adult Literacy documented value added to Missourians' literacy as educational attainment increased. For instance, in Missouri, college graduates scored 19 percent better than high school graduates in prose literacy, and 16 percent better in quantitative, or mathematical literacy;
- **(Slide 7)** Nationwide, nearly 67 percent of college graduates vote, compared to 34 percent of those with no college experience;

- **(Slide 8)** College students volunteer and donate money to charity at higher rates than those with no college experience; and,
- **(Slide 9)** In 1997, a total of 26 percent of federal prisoners and 39 percent of state prisoners had not completed high school, compared to only 8.1 percent of federal prisoners and less than 3 percent of state prisoners who had college degrees.

Furthermore, we know that higher education provides value to state policymakers in advancing other important agendas, including powering growth in mathematics, engineering, technology, and science (METS), and in ensuring the availability of highly qualified teachers in Missouri classrooms.

(Slide 10) Missouri's public and independent baccalaureate institutions have graduated an average of about 4,600 METS graduates every year since 2000, with strong participation in engineering, computer science, and the life sciences. We know there is room for growth in this area; **(Slide 11)** as the next slide details, the number of declared majors in METS fields at public institutions is now declining in computer science and other sciences while remaining flat in mathematics, though growing in engineering and health.

Higher education is also the engine of teacher certification, producing the majority of Missouri's P-12 workforce in high-need METS disciplines as well as in music, history, communication arts and other essential areas. In the 2004-2005 academic year, Missouri's public and independent baccalaureate institutions conferred over 3,200 education degrees.

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(Slide 12) In the most basic terms, during the 2004-2005 academic year, Missouri higher education produced over 50,000 baccalaureate, graduate, and professional degrees from four-year institutions, as well as over 12,000 associate degrees and certificates from Missouri's two-year institutions. I should also note that the proprietary sector produced an additional 22,000 graduates. These graduates bring a range of experience and expertise to the benefit of our economy and culture.

Examining the funding of higher education, public grant and scholarship programs, and the utilization of college savings plans by Missouri families

(Slide 13) In support of students studying METS fields, education, and other disciplines, the Missouri Department of Higher Education administers a number of grant and scholarship programs that are funded by the General Assembly. The Missouri Higher Education Academic Scholarship, more commonly known as the "Bright Flight" scholarship, is awarded to first-time full-time undergraduates who score in the top 3 percent on the ACT or SAT. The Marguerite Ross Barnett Scholarship is a need-based scholarship for working students who are enrolled at least half-time. This slide also reflects appropriations for the Charles Gallagher Student Financial Assistance Program, the Missouri College Guarantee Program, and a number of other programs administered by the MDHE. Together, MDHE's state grant and scholarship programs disbursed over \$40 million in 2005 – 2006 to support nearly 25,000 students attending public and independent institutions across the state. However, it should be noted that while state grant and scholarship programs administered by the MDHE are an important tool for students seeking an affordable education, support for these programs has declined in

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recent years. In FY 2002, these programs were appropriated over \$46 million and were disbursed to over 27,000 students.

Appropriations decisions have real-world consequences for students and parents. The Gallagher grant is a need-based program, while the College Guarantee grant has merit and need-based eligibility components. Although students must demonstrate at least \$100 in need in order to be eligible for either program, priority is given to the students with the highest need first. Because appropriations have not kept pace with unmet financial need, there is a group of students with relatively lower need who do not receive any funding.

MDHE staff estimate that approximately 10,000 eligible students could have been served by the College Guarantee grant in 2005-2006, at an additional cost that could be in excess of \$30 million. Similarly, approximately 21,000 students were eligible for the Gallagher grant and could have been served at an additional cost in excess of \$28 million.

The CBHE believes that the state's financial aid programs should be simplified and streamlined and has charged a statewide committee to develop recommendations for changes to the current system. A draft proposal is currently under review by institutions and is expected to be presented to the CBHE at its October 2006 meeting.

Additional programs affecting financial access to higher education are administered by other state agencies. For example, the A+ program, overseen by the Department of Elementary and Secondary Education, provides tuition and fees to high school graduates who meet A+ standards and attend eligible one or two-year programs. The Missouri Saving for Tuition, or MOST Program, is administered through the Office of the Missouri State Treasurer. The MOST Program allows parents to make tax-

deferred contributions to personal accounts and to receive later reimbursement for eligible higher education expenses. Through 2005, the MOST Program held over \$827 million in assets, or contributions over previous disbursements. There were over 97,000 total program accounts, averaging over \$8,500 per account.

Examining the mechanisms by which tuition rates are set

In addition to a focus on higher education benefits and costs, it is important to address mechanisms by which tuition rates are set. As state funding for institutional appropriations, state grant, and scholarship programs has decreased over the past five years, tuition has increased. Between FY 2001 and FY 2006, in-district or in-state undergraduate tuition at Missouri's public institutions has increased by a range of 33 – 85 percent at two-year colleges, and tuition has increased by a range of 38 – 72 percent in the same time period at four-year colleges and universities. Missouri's public colleges and universities have detailed a range of guidelines to consider when implementing increases. In preparation for today's presentation, we requested that public institutions provide us with any information on recently revised tuition policies. The following is a summary:

(Slide 14) Institutions have developed a multi-layered approach to decision-making regarding the determination of tuition and fees. Many stakeholders are actively engaged in the decision-making process prior to decisions being made by institutional boards to raise tuition and fees. Through these processes, some institutions have proposed limiting tuition increases to the rate of inflation as reflected in the Consumer Price Index, as long as state appropriations keep pace with inflation. These linkages are intended to clarify

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the connections between state appropriations and student tuition. Institutions have also predicated internal strategic planning on strengthening their pursuit of other funding sources, such as grants and contracts. Other mechanisms include processes whereby students may lock in stable tuition rates over multiple years, and at least one institution has defined a preset maximum percentage of its general operating budget which student tuition and fees should not be expected to exceed.

From the perspective of the state, the Coordinating Board has statutory authority to recommend (but not to mandate) potential efficiencies to the governing boards of public institutions. The Coordinating Board has collected and published information regarding collaborations and consortia among Missouri's colleges and universities, businesses, and other organizations. We continually encourage collaborations that expand opportunities for students and faculty while reducing costs to Missouri taxpayers. In addition, the MDHE has worked to provide training resources to institutional leadership regarding continuous improvement and total quality management, and supported joint degree programs designed to benefit students and taxpayers. Recent news of joint engineering degrees proposed by the University of Missouri and Missouri State University for delivery in Springfield, as well as dental hygiene programs in development by the University of Missouri and Missouri Southern State University, are certainly illustrative examples. In response to your question regarding collaboration, CBHE feels the present environment is truly conducive for all 2-year and 4-year sectors to work within and across institutional boundaries.

(Slide 15) At the institutional level, faculty, staff, and leadership have sought additional efficiencies in an effort to contain costs. This slide illustrates *some* examples, including

administrative and structural reorganizations, the elimination of vacant positions, deferral of maintenance, cutbacks in athletics, and a greater reliance on adjunct faculty and part-time staff.

Examining impacts of higher tuition and greater reliance on student-level funding

As tuition increases across Missouri higher education, we know that a greater burden is borne by attending students, both during and after their time in school. We know that from FY 2002 to 2006, total costs of attendance for first-time full-time undergraduates increased by an average of over 20 percent at Missouri public institutions, according to data reported to the U.S. Department of Education. We also know that attendance patterns have shifted over the past decade.

In 1996, Missouri public high school graduates who attended Missouri public colleges and universities were more likely to attend four-year institutions than two-year colleges. By fall 2005, the reverse was true. While we recognize, appreciate, and commend the good work of faculty, staff, and leadership of Missouri's community colleges, it's certainly reasonable to attribute some of that shift to rising costs for students.

As a result of these growing costs for students, there is much national data documenting increasing debt loads for graduates, debt that is escalating at an arguably alarming rate. According to recent national studies by the organization of America's Student Loan Providers, in 2004 – 2005, baccalaureate graduates of public institutions were graduating with over \$15,500 in loan debt, compared to \$19,400 for graduates of private institutions and \$24,600 for graduates of proprietary institutions. Increases in

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student debt have been attributed to a combination of higher interest rates, higher tuition, and decreasing appropriations for federal financial aid. According to a recent issue brief published by the American Council on Education, the percentage of students borrowing to finance an undergraduate education increased from 49 percent in 1993 to 65 percent in 2000. In short, more students are borrowing more money at higher interest to finance a baccalaureate degree.

It's clear that given the value of higher education in high-growth sectors of Missouri's economy, we all bear the burden to strengthen access for students who aspire to postsecondary education in the state. Many of us have seen data on the national P-20 "pipeline". Statistics tell us that for every 100 students who enter ninth grade, only 18 will complete an associate degree within three years of high school graduation or a baccalaureate degree within six years. Unless we change this trend, Missouri's future workforce will be severely handicapped. In addition, according to projections of the respected Western Interstate Commission for Higher Education, the number of high school graduates in Missouri will actually decrease by 2013. If Missouri is to remain competitive, we simply must do a better job of keeping students in the pipeline through associate and baccalaureate graduation.

Acknowledging other initiatives for student access and success

The Missouri Department of Higher Education understands that cost is only one dimension of access, and there are initiatives underway which do not involve or depend on ongoing discussions of funding levels, structures, or tuition. If a greater number of students are to enter, persist, and succeed in postsecondary education, we must also collaborate across sectors and agencies to strengthen student preparation. For the past 10

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years, the MDHE has compiled and published the High School Graduates Performance Report, through which we share information on student persistence, remedial enrollment, and graduation at Missouri's public colleges and universities with the State Board of Education, DESE, and with every public high school in the state. We have recently collaborated with DESE and the Missouri Association of Secondary School Principals to make this information more accessible and visible to secondary administrators and staff. We are also currently involved in discussions of the development of an integrated educational and economic data warehouse that would facilitate even more powerful analysis for educators, policymakers, and other interested stakeholders.

In addition, the MDHE administers federal grants aimed at providing professional development for teachers in mathematics and science through partnerships with colleges and universities, and the CBHE Committee on Transfer and Articulation develops policies and processes for the administration of advanced credit, such as dual credit or Advanced Placement. High school graduation is obviously a transfer point into postsecondary coursework, but we know that many students enter college having already completed college courses. We are also certainly supportive of the recent passage of legislation which creates a formal Council comprised of the MDHE, the CBHE, DESE, the State Board of Education, and the Department of Economic Development which will certainly facilitate stronger communication and coordination across sectors to the benefit of Missouri's students, workers, and taxpayers.

Through these and other initiatives, we are working with institutions, state agencies, and other interested partners to strengthen student preparation and persistence

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across Missouri's P-20 educational system. Apart from discussions of funding and fiscal structures, we can and are working to impact these issues.

National Context

Issues of student access and preparation, institutional efficiency, and accountability for measurement of student learning have justly attracted national attention. The Commission on the Future of Higher Education, empanelled by Secretary of Education Margaret Spellings, has issued a draft report which tasks institutions, government agencies, and accreditors to remove barriers to student access, especially for growing populations of minority and non-traditional students, as well as to strive for greater simplicity and transparency in financial aid and accountability.

Particularly relevant is the Commission's interest in encouraging greater participation in METS fields, as well as its call for simplifying and streamlining financial aid. While funding is and will continue to be an issue, many students, especially potential first-generation entrants, do not fully access the aid that is available due to confusing processes and burdensome paperwork. As the Commission stated in its most recent draft report, for most families, the Free Application for Federal Student Aid is longer than their tax return. In addition, the Commission report reinforces the calls in Missouri and other states for greater focus on institutional efficiencies and cost savings, though the Commission also notes that state funding for higher education is at a 20-year low.

Conclusion

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In a real sense, 2006 is not greatly different from 1960 in terms of the state's need to renew its social covenant with postsecondary institutions. From a state perspective, the need is more urgent today, since the demands for an educated workforce are greater than they were in 1960.

The work of your committee in forging a discussion about the costs of a college education is an important foundation that can lead to a new history concerning the partnership between higher education institutions and the state.

In fulfilling its statutory responsibility to develop a coordinated plan for the state system of higher education and also to establish funding guidelines for public four-year institutions, and to recommend appropriations for public two-year institutions, the Coordinating Board is committed to working with presidents/chancellors of public institutions as well as with the Governor and the legislature to develop a funding model that balances access, affordability and efficiency with quality and productivity of results.

In the immediate future, the CBHE will be finalizing its budget recommendations for FY 2008, which include the following funding categories: core, mandatories, performance funding, first institutional priority, and additional institutional priorities. At the same time the CBHE is committed to review all dimensions of the current funding model and suggest revisions for FY 2009 to ensure greater success in our ultimate objectives, i.e., increased participation and success of Missouri citizens in postsecondary education benefiting all Missourians. To this end, a priority for MDHE work under the leadership of Interim Commissioner Charles McClain will be to establish a coordinated plan including data-driven appropriation guidelines in support of budget recommendations for FY 2009 forward.

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(Slide 16) Thank you for the opportunity to address this Committee. I would be pleased to respond to any questions.