

Background Document: A Commitment to the Future

The “Commitment to the Future” statement commits AASCU and APLU member institutions to work towards improved student access, diversity, retention and attainment while strengthening educational quality. The statement endorses the goal of the United States leading the world in postsecondary degree attainment by 2025 and commits public colleges and universities to do their part to achieve this.

Historically, public higher education institutions have kept increases in per student educational expenditures close to the rate of inflation. Note that we do not propose constraining tuition increases—which are directly related to the level of state appropriations—but rather propose constraining the costs incurred by the institution for providing an education. Controlling these increases is essential as public colleges and universities strive to remain affordable and accessible.

The statement’s commitments and related goals can only be fully achieved with a renewed partnership with the states to support public higher education. No doubt this will be a challenge. But we must set forth a vision for all to understand, a vision that will change the future of millions of individuals and keep America competitive.

Historical Partnership and Current Environment

From public higher education’s emergence in America in the late 18th century to the democratization of higher education beginning with the Morrill Act of 1862, there was the expectation of a mutual partnership among the states, federal government and public colleges and universities. This partnership became increasingly vital and visible after World War II, when millions of new students from all backgrounds enrolled in college. The partnership served as an engine of individual opportunity, further democratized higher education, and contributed significantly to postwar prosperity.

State governments supported public colleges and universities because they believed subsidizing the cost of higher education allowed participation by students from all socioeconomic backgrounds and contributed to the public good. State leaders also recognized public colleges and universities as major economic drivers in their states. The federal government contributed its portion with the GI Bill and later expanded to include the student loan and Pell Grant programs.

In recent years, the spirit and understanding of the federal-state-institutional partnership has eroded. Moreover, tuition increases resulting from significant reductions in state support are driving concerns across political parties and constituency groups. President Obama has

emphasized the importance of higher education to the nation's future and called on college and university presidents to constrain tuition increases. He also urged more state support for higher education in order to contain tuition increases. We need to ensure the President and others continue to make this connection.

The facts about financing public higher education and institutional cost containment are neither widely known nor understood. Few people understand that tuition increases compensate directly for cuts in per student state appropriations and that, over a period of time, public institutions have kept per student education expenditures flat (See Supporting Analysis in Appendix 1). In the last several years, most public colleges and universities have cut expenditures, restructured curricula, curtailed administrative costs and increased the number of students. Our colleges and universities pride themselves on being transparent and accountable. In fact, a significant number of public institutions participate in the Voluntary System of Accountability, a transparency and accountability effort led by AASCU and APLU. Yet we have not been able to adequately explain these efforts to the public and to policymakers.

Public colleges and universities must respond and be heard by government officials at the state and national level. We hope the commitments to make quality education, student success and continued accountability—including the transparent use of tuition, state and federal dollars—are understood, embraced and supported by the public. We believe concrete commitments and joint efforts by AASCU, APLU and our members provide a powerful platform to help address this situation.

The Public College and University Role in Achieving Best in the World Degree Attainment

The statement commits signers to do their part to achieve 60 percent degree attainment by 2025. This commitment responds to the needs of the country and to the many national calls for increased degree attainment.

President Obama called for “best in the world” for the country by 2020 and proposes to count degrees, certificates and other postsecondary credentials. State systems of higher education in more than 20 states have adopted attainment goals based on this 2020 goal.

The Lumina Foundation has established their “Big Goal” for college attainment—that 60 percent of adults (25- to 64-year-olds) have a high-quality credential by 2025. The College Board, Complete College America and others have called for major efforts to increase degrees as well.

We should strike a balance among these national efforts and be sensitive to our members' individual goals. Accordingly, we believe public colleges and universities should do our part in achieving a 60 percent degree attainment by awarding an additional 3.8 million bachelor's degrees by 2025. This is a practical approach that significantly contributes to and is broadly compatible with the goals suggested by others (See Supporting Analysis in Appendix 2).

Member universities have a substantial number of former students who did not graduate but who are close to completing their degrees. A concerted effort to reach out to those students has

proven to be productive for some institutions, and all colleges and universities should consider this strategy. Targeting an additional 3.8 million baccalaureate degrees and reaching out to those who did not graduate will be widely encouraged.

The proposed increase of 3.8 million bachelor's degrees represents a compound annual growth rate of 3 percent between 2012 and 2025. Public colleges and universities' average annual increase in degree production was 2.67 percent during the last decade. An increase to 3 percent may seem like a modest goal; however, it will require a major effort by public colleges and universities given the current environment of fiscal constraints and demographic shifts.

Additional Commitments

The statement includes additional commitments that are mutually reinforcing. While they do not involve numerical measurements, it is important to highlight their inclusion and relationship to the degree goal.

Retention is a key strategy for increasing degree attainment. Many public colleges and universities across the country are pursuing this strategy, providing successful examples of how retention can be improved.

Reducing the average time to degree completion will allow more degrees to be awarded for the same enrollment size and will decrease the cost to the student.

We also affirm our commitment to diversity and access.

Higher education must support efforts that prepare students to be college and career ready. The need to improve coordination and alignment with state and local P-12 educational systems and community colleges is essential.

We also recommit to our role as drivers of economic growth. We know policymakers want tangible evidence public higher education is meeting economic and educational needs. In many regions, universities are a focal point for driving change with their economic development efforts, spurring innovation through research and technology transfer, and educating a qualified workforce. Frequently this work can be better aligned with national, state and local economic and educational needs. This alignment often involves enhanced programs in the science, technology, engineering and mathematics (STEM), health-related and informatics areas. These educational programs support economic development and business expansion. Well-crafted liberal arts programs also are important and must be maintained.

Further Comments on the Statement

Increasing completion rates will be a key part of achieving the 3.8 million degrees. On average, 55 percent of first-time students at public colleges and universities graduate within six years, though completion rates are higher when transfer students are taken into consideration. The number of degrees granted by an institution can often be increased by strengthening areas such

as advising, instruction and class scheduling. The effort to increase degrees is at the heart of strengthening the institution.

What increases in undergraduate enrollment will be required to meet this graduation goal? The answer depends on the route taken by the various institutions to increase degrees. Reducing time to degree will increase the number of degrees granted, even if student enrollment remains the same. Moving to a full three semesters or four terms increases the number of degrees without increasing the size of the campus at any given time. Improving graduation/completion rates will increase the number of degrees granted without increasing the number of students.

It would be easier to get public attention if we made a commitment to restraining future tuition levels, but that is impossible for many reasons, most notably because state appropriations cannot be ensured. In our discussions around the country, we have found it would be difficult to find agreement on holding educational expenditures to a measure like the Consumer Price Index (CPI). Some state institutions have been cut so deeply they do not want to commit to such a low expenditure level. Calling for a reestablished partnership, combined with some concrete commitments, is a more complicated but reasonably elegant way to demonstrate how public colleges and universities will deal with the situation and call attention to the underlying facts.

Appendix 1: Supporting Analyses for Expenditures

Average public college and university published/listed tuition was \$8,240 per year for in-state students in 2011-12, which is about one-third the price of private universities (with an average tuition of \$28,500) and just slightly more than half the cost of for-profit institutions (at \$14,487) [Source: *College Board Trends 2011*]. Federal and state financial aid and tax policies, as well as institutional aid, can reduce the cost of tuition to students and families. The average net price (actual amount paid) for in-state tuition and fees for 2011-12 is \$2,490 for public universities, as compared to an average net price of \$12,970 for private universities [Source: *College Board Trends 2011*].

Published tuition has been rising above the rate of inflation. This is largely because state appropriations per full-time student, once a key component of public university budgets, have declined by some 23 percent over the past decade. As recently as 20 years ago, states paid about two-thirds of the cost of education at public universities. Tuition paid by students and families, sometimes with the help of federal student aid, comprised the rest.

Today the revenue picture has flipped: states pay about one-third of the costs and students and families pay two-thirds of the costs. This change in revenue streams has been the primary driver of tuition increases at public universities. From 2001-02 to 2011-12, published in-state tuition and fees at public universities increased an average of 5.6 percent beyond inflation each year [Source: *College Board Trends 2011*].

These increases were required to make up for losses in state funding. In the 1999-2009 time period, national data for public research universities show losses in state appropriations per student and increases in tuition revenues per student. The increases in tuition revenues were used to offset the losses in state support. Adjusting according to the CPI, gains in net tuition

have been greater than the loss of state funding over the last decade by approximately \$600 per student (\$1,900 loss in appropriations plus \$2,500 gain in tuition); adjusting according to the Higher Education Price Index (HEPI) shows a net loss of \$1,400 per student over the past decade (\$3,300 loss in appropriations plus \$1,900 gain in tuition) [Source: *Data Cost IPEDS dataset*]. The HEPI incorporates a large component for salaries of educated and highly skilled labor, central in university costs. Educated and highly skilled salaries in general have been rising faster than the CPI in the national market.

Moreover, preliminary figures for state funding levels per student for 2010-11 and 2011-12 show an accelerated decline in funding support per student for public universities—one of the largest declines in 30 years of data [Source: *College Board and Grapevine*]. National data specifically for public universities is not yet available, but figures for all public institutions demonstrate that even after adding revenue from tuition increases, constant dollar educational revenue per student FTE decreased by an average of 2.3 percent between 2006 and 2011, with 26 states experiencing declines in this measure [Source: *State Higher Education Finance, SHEEO FY 2011*]. States with the largest declines over this five-year period include South Carolina, New Mexico, Florida, Idaho, Georgia and Nevada, but there are many others with deep declines.

Recognition of the value of a university degree to both individual and social prosperity has contributed to a 28 percent growth in enrollment at public universities in the last 10 years to 5.6 million students [Source: *College Board Trends 2011*]. While this is important for the country's economic health and global competitiveness, it has increased the financial pressures on states and universities.

Universities' direct educational expenditures per student have remained relatively flat over the past decade. National data from 1999-2009 show public university educational expenditures per student increased modestly, an average of 1.2 percent above the CPI over the period [Source: *Delta Cost IPEDS dataset*]. Within this category of expenditures, the healthcare related component has increased substantially, suggesting some cuts have been made to direct educational expenditures to accommodate the significant growth in healthcare expenses. Although national data on costs at public research universities for the last two years are not yet available, the change in direct educational costs between 2008 and 2009 is well below the average for the period—0.3 percent.

A negative resource gap developed between the loss of state funding support and the increases in tuition at many individual universities. Universities generally must have balanced budgets and the resource gap had to be covered by cost reductions, donations or new income. The federal government has increased grants, thereby reducing the amount of tuition actually paid by students and families. This assistance helps students and families pay for the cost of education, but it does not decrease those costs.

Appendix 2: Supporting Analyses Degree Attainment Estimates

The degree attainment goal for public universities is to award an additional 3.8 million degrees by 2025. This is a compound annual growth rate of 3.025 percent between 2012 and 2025. Following is an overview of how these figures were derived.

Our primary focus is on the age cohort 25 to 34 in 2025 because a substantial portion, though certainly not all, of public university graduates after 2012 will be in that age cohort by 2025. Note that the age cohort 25 to 34 is where several other developed countries percentages are growing, as opposed to the stagnate percent in the United States.

According to the U.S. Census Bureau's estimates, the country's 25- to 34-year-old population in 2025 will number 46,116,000 people. To attain a 60 percent degree attainment rate for the age group, 27,669,600 individuals will need a postsecondary degree in 2025. In 2011, the number of individuals in the age cohort 25 to 34 with postsecondary degrees was 17,936,000; therefore, to attain the 60 percent goal by 2025, an additional 9,733,600 postsecondary degrees are required.

As of 2011, 65 percent of the post-secondary degrees awarded were bachelor's degrees, which translate into an additional 6,326,840 bachelor's degrees by 2025. Public colleges and universities awarded 60 percent of the bachelor's degrees produced in 2011 and keeping that proportion constant results in the target goal of 3.8 million additional bachelor's degrees by 2025. The calculations are outlined in the table below.

Degree Attainment Estimate Calculation

Estimated population of 25- to 34-year-olds in 2025	46,116,000
<i>Multiplied by 60% attainment</i>	<u>0.60</u>
Target number for 60% post-secondary degree attainment	27,669,600
<i>Subtract the number of 25- to 34-year-olds with tertiary degrees in 2011</i>	<i>(17,936,000)</i>
Additional number of post-secondary degrees needed	9,733,600
<i>Multiplied by the 65% of post-secondary degrees that are bachelor's degrees (estimate based on 2011 degree data)</i>	<u>0.65</u>
Additional bachelor's degrees needed	6,326,840
<i>Multiplied by 60% of bachelor's degrees awarded by public institutions (estimate based on 2011 degree data)</i>	<u>0.60</u>
Additional public university bachelor's degrees needed to reach 60% goal	3,796,104
TARGET DEGREE ATTAINMENT GOAL	3,800,000

Between 2000 and 2011, the number of bachelor's degrees awarded by member universities increased at a compounded annual rate of 2.67 percent per year. (This a simplified approximation of more complicated dynamics of population and higher education participation rates that would likely not yield simple compounded growth.) To achieve the 3.8 million target number, a compounded growth rate of 3.025 percent is required between 2012 and 2025 (See chart below).

Number of Additional Bachelor's Degrees Needed to Reach 3.8 Million Target

Comparing Historic Growth Rate and Projected Rate

		<u>Historical Growth Rate:</u>		<u>Commitment Growth Rate:</u>	
		<u>2.67%</u>		<u>3.025%</u>	
				Bachelor's	
	Bachelor's Degrees per Year	Additional Degrees over 2011 Production	Degrees per Year	Additional Degrees over 2011 Production	
<i>2011 (actual)</i>	1,043,795		1,043,795		
2012	1,071,664	27,869	1,075,370	31,575	
2013	1,100,278	56,483	1,107,900	64,105	
2014	1,129,655	85,860	1,141,414	97,619	
2015	1,159,817	116,022	1,175,941	132,146	
2016	1,190,784	146,989	1,211,514	167,719	
2017	1,222,578	178,783	1,248,162	204,367	
2018	1,255,221	211,426	1,285,919	242,124	
2019	1,288,735	244,940	1,324,818	281,023	
2020	1,323,144	279,349	1,364,894	321,099	
2021	1,358,472	314,677	1,406,182	362,387	
2022	1,394,744	350,949	1,448,719	404,924	
2023	1,431,983	88,188	1,492,542	448,747	
2024	1,470,217	426,422	1,537,692	493,897	
2025	1,509,472	465,677	1,584,207	540,412	
Total Additional Bachelor's Degrees Produced		3,293,636		3,792,143	