



Securing the Public Trust

Practical Steps toward Higher Education Finance Reform in California

All California students deserve the opportunity to pursue a high-quality, four-year college education. But that promise is being broken every day because California’s system for financing its public universities—that is, how we determine adequate funding levels and effective use of resources—is not working on behalf of students.

Hundreds of thousands of our students who would benefit from a bachelor’s degree are being left out because this system is dysfunctional. We cannot solve the problem without changes in the University of California and the California State University and in the governing systems that appropriate funding for these institutions. The success of a generation of students and our state’s economic competitiveness hang in the balance awaiting resolution of these challenges.

Addressing the challenges will be difficult, but it is possible. We must start by building a shared understanding between public policy makers and higher education leaders of the problem as well as practical ways to solve it.

College Futures Foundation, a private foundation working to help low-income and underrepresented students in California to earn a four-year college degree, has developed a report that presents a comprehensive analysis of the higher education finance issue and offers a framework for reform.

The new report, titled *Securing the Public Trust: Practical Steps toward Higher Education Finance Reform in California*, reflects a series of conversations over the past year among a group of experts with deep experience in higher education policy and finance. These discussions tested ideas and language, reviewed research, and helped formulate a realistic and actionable plan to address finance challenges. *Securing the Public Trust* represents a comprehensive analysis of what we believe the greatest challenges to be, and it explores a range of potential solutions.

Securing the Public Trust found that four interrelated issues must be addressed to provide a long-term solution.

1. **GENERAL FUND/TUITION SEE-SAW.** In good times, we see big increases in state appropriations and tuition freezes. In bad times, just when demand for college is highest, we see painful budget cuts and drastic increases in tuition. The erratic patterns burden families and make planning tough for institutions and the state.
2. **BUDGETING OF FIXED COSTS.** New funding for CSU and UC are going to employee benefit costs that neither the state nor the institutions can afford to pay—without transparent consideration of the tradeoffs, such as spending on student enrollments and tuitions, or the increasing use of part-time faculty. We have to create a benefits structure that is fair to the employee and sustainable for the system.
3. **INFLEXIBLE ACADEMIC COST STRUCTURES.** Institutions of higher education are locked into spending money in areas that are no longer needed instead of providing

necessary support in the areas that will help students succeed. California needs to re-set this balance to put the money where it will help students the most.

4. **DECISION MAKING AND ACCOUNTABILITY.** Decision making is fragmented and inconsistent. There are a variety of state government and higher education decision makers who often talk past one another and don't use consistent language or common metrics. This perpetuates miscommunication and contributes to poor accountability. We need a common vocabulary and common ways to measure progress.

The status quo is simply unsustainable. The erosion of public college opportunity for broad populations of students in California, left unabated, threatens the health of our civil society. If opportunity to succeed in college were to shrink, social inequality would likely increase — and the universities, rather than offering real opportunities for socioeconomic mobility, would serve as the dividing line between haves and have-nots.

In *Securing the Public Trust*, College Futures Foundation has put forward basic principles that must be included in any comprehensive reform proposal.

- All parties must share a common understanding of what it means for public universities to operate as a public trust.
- The state and the institutional boards should exercise distinct but complementary roles in fiscal decision-making and oversight.
- The annual budget process should be aligned with longer-term plans (10 to 15 years), both at the state level and at the system level.
- Decision makers at all levels should share common definitions and benchmarks as a basis for mutual accountability and the balancing of interests essential for fiscal sustainability and public trust.
- Decisions about spending priorities should address thoughtful assessments of alternatives, costs, and consequences.

There has never been a greater need to provide an affordable college education in California. Our economy has dramatically changed in the past 20 years, and a four-year college degree has become a near-requirement for a decent job in California. We owe it to all of our students, including those who are low-income and underrepresented in higher education, to provide access to an affordable, high-quality education so they can enjoy the benefits of the new economy and California can benefit as well.

The problem isn't solved just because the economy is strong today — the higher education finance problem in California remains a ticking time bomb. It has gotten worse over the last 30 years because of a chronic and growing structural imbalance between revenues and spending. We must guard against the next cycle of budget cuts, tuition increases, and cutbacks in enrollment that will come with the next recession.

As with any long-term challenge, making higher education a reality for otherwise qualified Californians will require a multi-year solution, and *Securing the Public Trust* is designed to begin that process. Over the coming year, College Futures Foundation will elaborate on the analytics, provide additional analysis and discussion to clarify specifics, and conduct focus groups and public opinion polling to gather views on possible solutions.

Learn more about *Securing the Public Trust* at www.HigherEdFinance.org