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Report Finds That Higher Education Finance Problems Limit Student Opportunity and Threaten California’s Future

SAN FRANCISCO — A new report from College Futures Foundation calls for comprehensive changes to address systemic problems in the way that California funds, budgets for, and makes financial decisions about its public university systems.

The report, *Securing the Public Trust: Practical Steps toward Higher Education Finance Reform in California*, will be available at <http://higheredfinance.org/> after January 24.

“The promise of an opportunity for a college education is being broken every day because of the way we pay for higher education,” said Julia Lopez, president and CEO of College Futures Foundation, which produced the report. “Hundreds of thousands of our students who would benefit from a bachelor’s degree are being left out because the system for financing our public universities in California isn’t working.”

The report says that reform has to happen in four areas:

1. Revenue stability and predictability: California needs to stabilize its funding for higher education. Right now, state funding goes up in good years and is slashed in bad years, causing dramatic spikes in tuition and cuts in the number of students who can attend. This puts a terrible burden on families and makes it very hard for people in the institutions to tackle issues that take more than one year to take hold.
2. Budgeting practices for employee benefits need to be improved. Right now, most of the “new” money for the University of California and California State University goes straight so-called “fixed” costs, including employee benefits, that neither the state nor the institutions can afford to pay. We are putting more money into the system, but it is not going to improved capacity or quality.
3. State universities need to do more to reallocate the money they have, to put it where will make a difference in student success. Our universities are locked into spending money in areas that are no longer in high demand instead of providing necessary support in the areas that students need to succeed in the modern economy.
4. The state needs to improve its processes for accountability and transparency. Decision-making about our public universities is highly fragmented, with a variety of state government and higher education decision-makers too often talking past one another with inconsistent language or metrics.

The report is the product of a series of conversations over the past year among a group of individuals 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.

“The success of a generation of students as well as our state’s economic future hang in the balance,” said Roberta Achtenberg, Chair Emeritus of the California State University Board of Trustees. “Our institutions need more money, but more money has to come with changes in budgeting and oversight.”

“Addressing this challenge will be difficult, but it is possible,” said Hans Johnson, Director of the Higher Education Center and Senior Fellow at the Public Policy Institute of California, who helped advise College Futures Foundation. “We must start by building a shared understanding between public policy makers and higher education leaders about the problem and practical ways to solve it,” he said. “This report should help us collectively move in that direction.”

As with any long-term challenge, ensuring that all California’s students have the chance to get a high quality four-year degree will require a multi-year solution, and this framing report is designed to begin that process. Over the coming year, College Futures Foundation will provide additional analysis and continue to clarify possible solutions to the higher education finance challenge.

“If we want our next generation of students to succeed and if we want our state to be competitive in the global economy, we must tackle this problem,” said Julia Lopez.

About College Futures Foundation: College Futures is a private foundation working to help low-income students and others who are underrepresented in higher education earn baccalaureate degrees. Its role is to be an honest broker for sound research and good ideas without regard to politics or interest.

The Foundation operates on the belief that every qualified student in California should have the opportunity to succeed in college and it recognizes that creating a vibrant future for our state requires awarding more bachelor’s degrees to broader populations of students. Established in 2005 as a private foundation, College Futures supports work in three areas: improving student transitions toward degree completion; developing and strengthening partnerships across institutions, systems, and regions to drive increases in bachelor’s degree attainment; and reducing gaps between policy and practice to advance student access to and success in college.

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