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**Pennsylvania House Education Committee Hearing  
Higher Education as an Industry  
April 16, 2009**

**Pennsylvania State System of Higher Education Testimony  
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Pennsylvania has a rich history of higher education and a wide variety of post-secondary opportunities throughout the Commonwealth. The diverse network of community colleges, state-owned and state-related universities, and private colleges and universities offers Pennsylvanians an extensive array of educational opportunities, with more than 250 institutions of higher learning from which to choose. Pennsylvania also has one of the largest need-based grant aid programs in the country. However, maintaining such an array of educational opportunities is costly—both for the student and for the Commonwealth.

In recent years, there has been much attention paid to the affordability of higher education. PASSHE has taken its mission to provide the highest quality education at the lowest possible cost to the student very seriously. In doing so, it has responded to the call for accountability and affordability by containing costs (as evidenced by approximately \$200 million in base budget reductions in this decade alone) and controlling price (tuition increases over the last 10 years averaged \$189 annually).

Pennsylvania is unique among the states in the manner in which it funds higher education, using its limited resources to fund all sectors, public and private. Pennsylvania ranks 43<sup>rd</sup> among the states in the percent of its budget that is allocated for higher education. Yet it ranks 2<sup>nd</sup> nationally for the percent of its higher education funding that is allocated for private institutions and for financial aid programs. And, almost half of the financial aid goes to support students at private institutions. Nationally, on average, states allocate 2% of their appropriations to private institutions; Pennsylvania allocates 5%. Similarly, on average, states allocate 9% of higher education appropriations for student financial aid; Pennsylvania allocates 20%. This leaves only 75% of Pennsylvania's higher education appropriations to fund public institutions directly (community colleges, state-related universities, and PASSHE's state-owned Universities). In comparison, nationally, 89% of higher education appropriations are used to fund public institutions.

This practice makes Pennsylvania a high tuition/high aid state. In other words, the state chooses to fund student choice for education opportunities. This results in large appropriations to PHEAA's state grant program (\$407 million in 2008/09), and large

appropriations to private institutions, either directly (\$75 million in 2008/09) or through PHEAA's Institutional Assistance Grants (\$42 million in 2008/09). But it also results in proportionately less appropriations for public higher education institutions and, therefore, students bear a larger portion of the cost of their education. The practice of funding students does not change the university's cost of providing an education, but rather increases the amount of that cost that is charged to the student. Nationally, students pay for approximately 46% of their education at public masters' institutions; PASSHE students pay approximately 58%.

This funding practice does not necessitate good stewardship of state resources. Most private institutions receive funding with little or no limitations on its use. Even though public institutions work hard to limit costs of providing a quality education, there is no evidence that this funding practice impacts the price of attendance charged to students at private institutions.

A recent national study, the Delta Cost Project, compared the costs and prices of different sectors of higher education using 2006/07 data. This study clearly indicates that for similar kinds of institutions, private higher education costs more than public higher education. Nationally, public masters' universities spend approximately \$13,000 per student for educational and general administrative expenditures; PASSHE spends less. Nationally, private masters' universities spend on average \$16,000; or 23% more. The study also indicated that costs per student at private institutions are increasing, while public educational costs per student are decreasing.

If Pennsylvania were to run its higher education industry as a business, it would invest more in its state-owned institutions where there is the greatest value for its investment. PASSHE has been meeting the increased demand for high quality, affordable higher education in Pennsylvania, as evidenced by our steadily increasing enrollments, and have the capacity to continue to do so.

On behalf of the Pennsylvania State System of Higher Education, we appreciate the opportunity to provide this information to you. I would be happy to answer any questions you may have.