

**Association of Independent Colleges and Universities
of Pennsylvania (AICUP)
House Democratic Policy Committee
Higher Education as an Industry in Pennsylvania
April 16, 2009**

Mr. Chairman, members of the House Policy Committee, I appreciate the opportunity to testify today on behalf of the eighty-seven (87) members of the Association of Independent Colleges and Universities of Pennsylvania (AICUP). My name is Mary Young and I am the Vice President for Government Relations. I am here with Ron Uroda who is the Vice President for Research for AICUP.

Higher Education as an Industry

You asked us to testify on higher education as an industry.

Certainly we are in the business of education and research. In terms of our educational “product” our schools enroll over 279,000 undergraduate and graduate students, or about 41 percent of all students attending a college or university in Pennsylvania. We also offer a significant return on Pennsylvania’s financial investment in higher education. Although our members receive only 15 percent of the funds appropriated to higher education, we award 50 percent of all bachelor’s degrees and over 60 percent of all graduate degrees in Pennsylvania. Finally, like any business we strive to be cost-effective. Students attending an independent college or university are much more likely to graduate in four years than students attending a state system or a state-related university. This results in a significant cost savings for students and for their families.

But while our primary “business” focus is education our institutions also play many other important roles in this Commonwealth. The simple day-to-day operation of our colleges and universities produces benefits that extend into every corner of Pennsylvania.

What roles do we play? We are major employers, providing over 71,000 good-paying jobs. We are purchasers of goods and services from Pennsylvania companies large and small as our colleges and universities spend almost \$8 million each day. We are partners in community development projects with local governments and with other non-profit organizations. We attract millions of dollars in federal funds and thousands of out-of-state residents to Pennsylvania every year. We provide access to recreational activities, to sporting events, and to cultural facilities for thousands of Pennsylvania residents. In sum, we are a major partner with state government working to improve the lives of individuals and families across the Commonwealth.

Let me talk in a bit more detail about how our industry benefits Pennsylvania.

Major Employers in Pennsylvania

As I mentioned, we are a major employer in Pennsylvania. While teachers and instructors account for the largest share of our employment, independent colleges and universities also provide jobs in technical and clerical occupations, crafts and service

trades, and professional and executive positions. In short, we make jobs available to a large cross section of residents of our communities. These are good-paying jobs -- each year we pay over \$4 billion in employee wages and salaries -- that also include benefits like health insurance and retirement annuities.

In contrast to private sector companies that have taken jobs from Pennsylvania to other states or to overseas locations, independent colleges and universities are steady employers that have committed themselves to the state. In fact, fifty-two independent colleges have been located in Pennsylvania communities for over one hundred years! We provide a measure of stability to regional economies and that is especially important at a time when unemployment is increasing in towns and cities across the country.

Importers of Students and Federal Grants

In addition to jobs, we benefit Pennsylvania by acting as importers of two products that greatly benefit the state: money and people. Independent colleges and universities bring in over \$600 million each year in federal research and development grants. These funds are used to pay salaries and wages to Pennsylvania residents and purchase equipment and supplies from Pennsylvania firms. Without the presence of the Commonwealth's strong independent higher education sector, these federal dollars would be lost to other states.

Pennsylvania's independent colleges and universities also attract thousands of non-resident high-school graduates who come to the state to earn a college degree. Each year over 20,000 students come to Pennsylvania from other states to enroll in an independent college or university. These out-of-state students bring in funds to pay for education related expenses such as tuition, room and board, and books and supplies as well as money for general living expenses such as clothing, travel, and entertainment. We estimate that the economic benefit to Pennsylvania of each entering class of students is over \$2 billion over the course of their four years of college.

Partners in Community Redevelopment

I mentioned a few moments ago that our colleges and universities are committed to their local communities. We prove this commitment through the investment of millions of dollars in projects intended to improve business districts and residential areas in townships, boroughs, and cities across the Commonwealth.

For example, look at the James Street Improvement Project in Lancaster where Franklin and Marshall College is a critical partner or the work of Wilkes University and King's College in revitalizing the downtown of Wilkes-Barre through the siting of a Barnes & Noble bookstore. Gettysburg College re-invigorated downtown Gettysburg through the rehabilitation of the Majestic Theater. Seton Hill University has helped to revitalize Greensburg's downtown by putting its new performance art center there. Dickinson College has played a key role in the revitalization of Carlisle. Among many examples in Philadelphia is the work of La Salle University and the Good Shepherd retail initiative. The University worked with community leaders including Rep. John Myers, Rep. Dwight Evans and Senator LeAnna Washington to meet the need for fresh foods and

neighborhood revitalization by helping to build a supermarket and retail shops in the 20th and Olney area. These are just a few examples that demonstrate how private colleges and universities are working as vital partners with communities in many areas of the Commonwealth.

Promoting Local Economic Development

Several years ago the Brookings Institute issued a report that highlighted the important role of independent higher education institutions in Pennsylvania as sites for technology transfer and commercialization and small business development. Pennsylvania's independent colleges and universities are partners with local governments in working to develop the economic infrastructure of their regional communities. In numerous ways, independent higher education institutions assist the state's businesses and economic development organizations to create new markets and to improve the employment opportunities available to Pennsylvania residents.

For example, the University of Pennsylvania and Carnegie Mellon University have undertaken tremendous work in technology transfer to industries in Pennsylvania. Many smaller institutions, working through the Keystone Innovation Zone (KIZ) program, have also developed programs to assist emerging high-tech and low-tech businesses in their region. For example, Juniata College developed its Center for Entrepreneurial Leadership (JCEL) to support entrepreneurial development by students, faculty and businesses in Huntingdon. Since its inception, JCEL has supported over 100 business start-ups. Many of our members also promote business development by serving as sites for Small Business Development Centers. These institutions include Bucknell University, Duquesne University, Gannon University, Lehigh University, Saint Francis University, Saint Vincent College, The University of Scranton, The University of Pennsylvania, Widener University and Wilkes University.

Higher Education Policy in Pennsylvania

You have also asked me to speak to "statistics" that suggest that Pennsylvania's higher education funding policy is somehow too supportive of private higher education. Some in public higher education often cite a statistic developed in the *Grapevine* newsletter of Illinois State University that Pennsylvania ranks 46 out of 50 states in the amount of state appropriations provided to higher education per capita. They also note that Pennsylvania spends more for private higher education than almost any other state in the nation. What they conveniently forget to mention is that these rankings make perfect sense because Pennsylvania also has the second largest number of private colleges and private college students in the nation. If you examine the *Grapevine* list, you quickly discover that the states near the bottom of appropriations per capita are other northeastern states with large private college sectors. In these states, state taxpayers spend less on higher education because they don't need to educate such a large percentage of the population. States that spend the most per capita are western and southern states such as Wyoming, Mississippi, Alabama, Nevada and North Dakota. These states have relatively few private colleges and must spend more state taxpayer dollars per capita on educating their students. Due to the presence of many private colleges, the northeastern states generally have larger state

grant programs since legislators recognize that they can educate a larger percentage of their population at less state expense by using grants to make it possible for students to choose a private institution. Consequently, these states send more money to private institutions than do those states with small private college sectors. Additionally, Pennsylvania's student grant program is need-based so that the state receives the added benefit of devoting a greater portion of its state funds toward needy families, which is good public policy.

In fact, another statistic that may prove surprising to you is that Pennsylvania ranks first in the nation in the proportion of students from low income families who attend college. (See the attached February 2009 issue of *Postsecondary Education Opportunity*.) Because of the availability of financial aid through sources such as PHEAA, we're number one in an area in which it really, truly counts - providing access to college for students from low-income families.

While it is true that private colleges and universities receive 15 percent of all state funds devoted to higher education (institutional and student aid funds), we enroll 41 percent of the students in the state, award 50 percent of all bachelor's degrees and over 60 percent of all graduate degrees in Pennsylvania. Our institutions provide billions of dollars in benefits to communities and residents across the Commonwealth. These appear to be impressive returns for a relatively small investment.

Pennsylvania has a strong, vibrant higher education sector because of its 94 private colleges and universities. The policies that you create can either preserve or undermine the important resource you have available in this state in our private colleges and universities.

Recommendations

- Focus a higher percentage of state higher education funding on grants to students who have financial need. All institutions benefit from the PHEAA grant program but it really targets resources to those who have need unlike institutional funding which benefits all students attending the campus regardless of income.
- Pennsylvania has devoted state dollars to specialized education such as medical and veterinary at private universities for many decades. The Commonwealth also created the Institutional Assistance Grant Program in the 1970s to stabilize enrollments at private colleges and encourage them to enroll even more low and moderate-income Pennsylvania students. These programs have worked well, provided enormous benefit to the Commonwealth and should be maintained.
- Do not interfere in the marketplace of higher education by enacting policies that clearly favor one sector over another as is the case with Governor Rendell's *Tuition Relief Act*. This proposal would shift students from the private sector to the public sector and undermine the fiscal stability of many private colleges and universities.

- Support capital funding for private higher education which leverages private dollars in construction providing employment opportunities as well as encouraging growth and development in older Pennsylvania communities.
- Consider a state advertising campaign to promote one of Pennsylvania's most valuable assets—its many high quality colleges and universities to potential students in other states.
- Open a dialog or create incentives for states that have large numbers of college students but insufficient higher education capacity to send some of their students to Pennsylvania. Incentives could include payment from other states.