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ABSTRACT

How did the New York State system of colleges and universities arrive at the brink of fiscal disaster? What is a possible new perception of higher education financing for New York? The radical shift in enrollment from independent to government-sponsored campuses, and the steep escalation in tax-levy burden for higher education resulted in the New York State system of colleges and universities fiscal disaster. Possible ways of maintaining collegiate access are by fuller utilization of capital facilities and by reforming public policies now on the statute books that are aimed at eliminating family economic circumstances as the sole criterion in a college-bound student's institutional choice. While the state system of higher education is essential to its future cultural and economic health, it cannot be allowed to become a hindrance to state fiscal recovery. Public policy in higher education must clearly reflect the job to be done and the most cost-effective way of doing it. (Author/KE)

The Campus in Hard Times

New York's higher education crisis

- how it happened

- how it can be resolved

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Foreword

This paper is intended to point the way toward a new perception of higher education financing for New York.

It identifies the dynamic which has brought the state's system of colleges and universities to the brink of fiscal disaster:

- the radical shift in enrollment from independently to government-sponsored campuses,
- the steep escalation in tax-levy burden for higher education.

It analyzes what is in place:

- the most productive sector losing enrollment,
- the enormous higher education subsidies that fail to consider either productivity or students' ability to pay,
- the huge disparity in user (tuition) charges that effectively inhibit student freedom of choice.

It offers some reasonable alternatives to maintain collegiate access with minimal drain upon New York's fiscal resources:

- by fuller utilization of capital facilities now in place,
- by reforming public policies, now on the statute books, which were aimed at eliminating family economic circumstance as the sole criterion in a college-bound student's institutional choice.

New York's system of higher education is essential to its future cultural and economic health. It cannot be allowed to become a cost-drag on our state's fiscal recovery. If that is to be accomplished, political and bureaucratic imperatives must be set aside. Public policy in higher education must clearly perceive the job to be done and the most cost-effective way of doing it.

hdp

Over the past 15 years New York's rate of public spending has far outpaced increases in living costs. Given our state's tax burden, future revenues cannot be expected to meet continued steep escalation in expenditures. The problem is: How to reach fiscal balance without destroying vital public services?

While higher education is a modest part of the New York State Budget (11%), the dollar amount for that purpose comes to $1.2 billion. If local government contributions are added, the total tax-levy expenditure for post-secondary education approximates $1.5 billion.

The allocation of government funds for our state's college and university system in large measure determines the nature of the system and therefore the future escalation or stabilization of cost to the taxpayers.

Analysis of New York State higher education policies over the past 15 years shows a strong correlation between a radical shift in enrollment from independent campuses to government-sponsored institutions and a sharp escalation in tax-levy support. Since 1960, while the cost of living doubled, tax-levy contributions for higher education in New York State increased tenfold. During the same period, there has been a reversal of enrollment proportions for the two sectors of our State system.

year	% enrolled at independent campuses in NY	% enrolled at government campuses in NY	tax-levy expenditures state and localities $=millions
1960-1	62.6	37.4	$ 120.0
1965-7	53.0	47.0	$ 357.4
1970-1	42.7	57.3	$ 890.0
1975-6	36.3	63.7	$ 1,553.8

Sources: State Education Department, State Division of the Budget

Given the fiscal constraints facing New York in the foreseeable future, it is imperative that higher education public policy be reexamined if the citizens of our state are to have genuine access opportunities to quality post-secondary institutions. There is urgent need to analyze alternatives based upon a clear understanding of our present condition.

academic accountability

New York has a unitary system of higher education. All of it is governed by the Regents of the University of the State of New York (USNY), not to be confused with the State University of New York (SUNY). USNY is the over-arching academic authority under the Constitution of New York State.

The system has two principal generic components: the independent sector and the government-sponsored sector. Within both, ultimate academic authority is held by the Regents. Academic standards set by the Regents are the criteria which must be met for the granting of degrees. The State Education Commissioner, who is also the President of the University of the State of New York, is the chief executive officer vested with that responsibility. He is elected by and is responsible to the Regents who in turn are elected by the Legislature. The State Education Department is under the management of the Commissioner and is the administrative agency overseeing higher education in New York.

fiscal accountability

The Governor and the Legislature set the fiscal parameters of higher education policy. By virtue of that power, they frequently shape policy.

The current level of New York State expenditures for higher education is $1.2 billion. Of that amount, a total of $149 million (about 12%) is allocated to the independent sector, most of the balance to the government-sponsored sector.

In the independent sector, fiduciary institutional trustees have the responsibility for insuring fiscal accountability. State funds received for institutional aid by independent colleges and universities are also accountable to the State Education Department, the State Department of Audit and Control, the State Division of the Budget and the fiscal committees of the Legislature.

In the government sector, fiscal accountability is to the statutory boards of trustees, the State Education Department, the State Department of Audit and Control, the State Budget Division, the fiscal committees of the Legislature, and in those institutions partially supported by aid from localities, the executive agencies and local legislatures made responsible by statute.

Unlike institutions in the independent sector, budget formulation by the two universities in the government-sponsored sector includes review and participation by the executive branch of government.

historical perspective

The use of public funds to help support independent colleges and universities pursue their public mission has historic precedent as well as specific authorization in statute law. The first higher education appropriations by the New York State Legislature were for independent colleges.

As government-sponsored institutions of higher education came into being, they too received financial support from both tax-levy and private sources. Development efforts by units of State University and City University have succeeded in bringing millions of dollars in philanthropic gifts to those institutions. Both SUNY and CUNY also receive part of their budgetary support from tuition income.

New York provides more public funds for independent higher education than any other state. This is not surprising since New York has the largest number of students enrolled at independent campuses and has far more independent institutions directly accountable to its State Education Department than any other state.

On a per student basis, however, public funds allocated to the independent sector are only a small fraction of what New York provides in funding for the government-sponsored sector of higher education.

In overview, the two sectors of New York's system have remarkable similarities.

- Both are publicly accountable for the public funds they receive to support their public missions.
- Both depend upon financial support coming from tuition income as well as tax-levy and philanthropic funds.
- Both are academically accountable to the Regents of the University of the State of New York.

how they differ

The glaring difference between the two sectors is their funding. According to a recent study by the State Education Department, the difference in educational costs of the two sectors is "statistically insignificant." Similar institutions had similar per student costs, depending upon their size and academic programs offered.

In cost to users - tuition - there is enormous disparity between the sectors. The average tuition charged undergraduates in New York's independent sector will be in excess of $2,900 a year when the new freshman class enrolls. Next Fall, freshmen and sophomores at SUNY will be charged tuition of $750 while upperclassmen will be charged $900. At CUNY (as of this writing) there is no tuition charged matriculated undergraduates who are residents of New York City.

The other major funding disparity is in tax-levy support. Approximately 8% of operating expenditures of independent institutions comes from public appropriations. SUNY receives about 80% of its funds from tax-levy sources, CUNY over 85%.

There is also a marked difference between the productivity of the two sectors as measured by degrees earned. The same State Education Department study found

> "...the independent institutions continue to confer more than 50 percent of all baccalaureate degrees in the State even though their share of full-time undergraduate enrollments has fallen to only one-third of the total."

and

> "As one moves from the undergraduate level through the doctoral and professional degree level, the role of the independent institutions becomes more dominant. While these institutions confer slightly more than 50 percent of the bachelor's degrees and almost two-thirds of the master's degrees, they grant almost three-quarters of all doctoral degrees and 84 percent of first professional degrees."

taxpayer cost

Because of the differences in their funding patterns, there is a large disparity in cost to the taxpayers of supporting students in the two sectors. Based upon funds already allocated for Fiscal Year 1976-7, tax-levy dollar support is expected to be:

	Per Student
State University of New York	$4,502
City University of New York	$3,034
Community Colleges outside NYC	$1,692
Independent Colleges and Universities	$ 552

the alternatives

Since all sectors are academically accountable to the Regents, and since degree productivity in the independent sector is much higher than the government-sponsored sectors, it would appear logical - particularly in a period of fiscal stringency - to encourage enrollment of students in independent institutions where the cost to the taxpayer is so much less.

There are two primary conduits of New York State support for independent higher education: direct aid to institutions and tuition assistance for students. Both have been helpful in institutional survival. Both are woefully inadequate to the needs of today.

direct institutional aid

Direct institutional aid is provided to eligible independent institutions under the so-called Bundy Formula. This allocates $300 for each associate degree granted, $800 for each baccalaureate, $600 for each master's degree and $3,000 for each doctorate awarded.

If institutional aid to New York's government-sponsored universities was based upon the same degree productivity formula (as in Bundy), the cost in tax-levy support per bachelor's degree would be approximately $16,000.

Bundy aid is used by the independents to hold down user (tuition) costs. The present level of Bundy support is $57 million. It is slightly less than disbursements made by these campuses in "unfunded student aid," the money used to assist needy students from the institution's operating budget. Thus, it can be reasonably argued that Bundy aid is really indirect student aid.

Since the present level of Bundy aid was enacted, the cost of living has increased about 20%. During the same period, the state has appropriated additional funds to the State and City universities to help them meet their mandated cost increases.

Legislation to meet most of the Bundy aid loss sustained by inflation was introduced early in the 1976 Session of the Legislature. It calls for a 17.5% upward adjustment in the formula and would require an additional appropriation of $10.6 million. A Bundy aid increase of $7.6 million was recommended to the Legislature by the Regents last December. No rise in Bundy aid was contained in the Executive Budget proposed to the Legislature. The Governor recommended an

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8.5% cut in the formula. This was rejected by the Legislature.

The bill to increase Bundy aid by $10.6 million was introduced by the chairmen of the Senate and Assembly committees on higher education, Senator Ronald B. Stafford and Assemblyman Irwin J. Landes. The bill's numbers are Senate Bill No. 7338 and Assembly Bill No. 933_.

tuition assistance

New York's Tuition Assistance Program provides direct aid to students based upon their ability to pay and the costs charged by the institutions at which they are enrolled. Approximately 60% of TAP money goes to students at independent campuses, the balance to students at government-sponsored universities.

According to the architect of the legislation that brought TAP into existence in 1973, former Assemblyman Peter J. Costigan, its purpose was "to substantially reduce the barrier of tuition cost for students who prefer to enroll at independent higher education institutions." TAP has been effective, but its effectiveness has been badly eroded by inflation and the need for independent sector campuses to raise their tuitions. When TAP was enacted the average tuition in New York's independent sector was $2,382 a year. It is now $2,694 and, based upon tuition charges already decided by independent campuses, will go to above $2,900 for the academic year beginning July 1976.

To make TAP a more effective factor in encouraging independent sector enrollment, legislation has been introduced that would:

- increase the maximum award for students at the lowest income levels from $1,500 to $1,700;
- extend eligibility for the maximum TAP award to $8,000 net taxable family income from the present level of $2,000 net taxable income;
- eliminate the $200 reduction in TAP awards now suffered by students as they move from the sophomore to junior undergraduate years;
- extend eligibility for the minimum award of $100 to students whose net taxable family income is $24,000; the present level is $20,000.

This bill is also co-sponsored by Senator Stafford and Assemblyman Landes. It is Senate Bill No. 7270 and Assembly Bill No. 9531. It would require $27.9 million.

The Governor's budget proposed a 10% across-the-board cut in TAP to meet a cost over-run estimated, for the next two fiscal years, to be $50 million. The Legislature rejected the Governor's proposal. A resolution of the TAP problem is a high priority item for decision by the Legislature when it considers the State's Supplemental Budget prior to adjournment of the 1976 Session.

the TAP-gap

The chasm between TAP awards and actual tuition charges is a real and growing one for independent sector students. Two years ago these undergraduates were charged a tuition that averaged less then $2,400. Those at the lowest income levels received TAP awards of $1,500. They had to cover a $900 balance. Next year, unless TAP is changed, they will have to raise $1,400 from non-TAP sources since their gross tuition charge will average over $2,900.

At State University the tuition will go up by $100 next year. For lowest income SUNY students it will mean an automatic increase in TAP awards. But for identical income students on independent campuses, no TAP increase will be forthcoming to meet much higher tuition charges. The disparity is evident in this table for the coming academic year:

family income	State University of New York Lower Division tuition $750		Independent Campuses Lower Division tuition $2,900	
	TAP	gap	TAP	gap
$2,000 or less	$750	0	$1,500	$1,400
$5,000	$570	$180	$1,320	$1,580
$10,000	$200	$550	$ 950	$1,950
$15,000	$100	$650	$ 450	$2,450
$20,000	$100	$650	$ 100	$2,800

State law establishes higher education programs to provide special opportunities for students from backgrounds of economic and educational disadvantage. At State University it is the Educational Opportunity Program (EOP); at City University it is Search for Education, Elevation, Knowledge (SEEK); in the independent sector it is Higher Education Opportunity Program (HEOP).

The three programs, by statute, require that enrollees be high school graduates who come from poverty-level families and whose secondary school records would not normally meet participating institutions' admission requirements.

While the legislative mandate is identical, the funding of the three programs is significantly different. New York tax-levy support per student in the three programs is:

for EOP	$5,452	per year
for SEEK	$4,806	per year
for HEOP	$1,984	per year

As the Legislature anticipated, because of the special assistance these students require to move into collegiate level work, the educational cost per student for the institution at which they are enrolled is significantly above that of other undergraduates. While the full cost is met for SUNY and CUNY, the independent campuses must use "unfunded student aid," from their operating budgets, to meet a substantial portion of this cost.

Legislation to redress part of this inequity will be introduced in both houses immediately following the Easter-Passover recess. It will provide for an additional $5 million for HEOP which will raise the per student funding to $2,500 per year and permit the independent campuses to enroll another 1,000 students in this program.

Analyses of HEOP, SEEK and EOP by the State Education Department and the Legislature's Commission on Expenditure Review have found HEOP most productive. The graduation rate for HEOP was found to be 58% as compared to 20% for SEEK and 33% for EOP.

capital resources

There are now in excess of 50,000 vacant seats at the campuses of independent colleges and universities in New York State. These vacancies are at the graduate and undergraduate levels. About half are in New York City and the balance scattered across the state at locations as accessible as campuses of State University. In contrast, both the State University and City University suffer from overcrowding.

Long-term debt for capital facilities in New York's higher education system is about $3 billion, most of it incurred during the past 15 years. The combined long-term debt of SUNY/CUNY is over $2 billion.

About $900 million in long-term debt is carried by independent sector campuses many of which, in response to state forecasts of enrollment expansion during the 1960s, built new facilities underwritten by the State Dormitory Authority. For several the additional enrollment failed to materialize as tuition differentials shifted the great bulk of the new collegiate population to government-sponsored campuses. Thus, the cost of meeting debt service has further increased tuition charges for many independent campuses, and others have been forced to consume endowments to cover Dormitory Authority obligations. A few have gone into deficit because of their debt service load.

The recent report to the Regents by the Pusey Commission, which studied the special problems of institutions in serious fiscal trouble, has recommended that the state appropriate a special fund to cover part of the debt service for independent campuses unable to bear the full load of capital facilities debt.

Plans for future construction by the government-sponsored universities if implemented would add another $1 billion over the next ten years. Because of the 1976 fiscal crisis, no new SUNY/CUNY projects have been approved this year.

In view of the excess capital capacity of the independent sector, the 11,000 reduction in high school graduates forecast by the State Education Department over the next five years, and the State's unmet commitments for capital projects in other vital areas of public service (mass transit, environmental facilities, etc.), it has been recommended by various legislators and state fiscal experts that additional SUNY/CUNY expansion be shelved indefinitely.

policy guidelines

In anticipation of the economic difficulties facing New York, the Commission on Independent Colleges and Universities (cIcu) in 1975 created a Special Task Force on Long-Range Fiscal Policy. It was chaired by Chancellor Melvin A. Eggers of Syracuse University. The Task Force Report, subsequently endorsed by the membership of the cIcu, set two basic policy guidelines:

- By 1981-2, New York's tax-levy support of higher education should be funded on the basis of 35 cents going to the independent sector for each dollar per student appropriated for the State University. This is to be allocated on a per student basis. The independent sector now receives about 12% of tax dollars spent by the State for higher education.

- The forms of State aid to the independent sector should embrace direct institutional aid and financial aid to students; however, for each dollar of institutional support there should be two dollars of direct aid to students.

In essence, the criteria adopted by the cIcu say to New York's fiscal decision makers that <u>the independent sector will perform its public mission at a per student unit cost of 35 cents to the taxpayer for each dollar allocated to SUNY for the same purpose</u>. Also, the 2-to-1 ratio in the flow of State aid emphasizes the primacy of student choice as an element in maximizing accountability. Those institutions failing to meet students' higher educational needs would lose State dollars as students enroll elsewhere.

<u>part of the solution</u>

There is need for new perspective in viewing fiscal policy for New York's higher education system. If all of its elements are objectively analyzed, the potential is apparent for reform of the system to improve it and, by substantially lowering average tax-levy cost per student, help resolve the core fiscal problem now confronting our State.

The matters reviewed by this paper address themselves to fuller and more productive utilization of existing resources. The policy direction they follow protects the quality of our system, provides continued access for those who desire and can profit from higher education, and is fiscally humane. More than the present system, it would scale user costs to ability to pay. More than the present system, it would provide greater freedom of student choice.

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