HIGHER EDUCATION, STATE DISINVESTMENT, AND NEED-BASED FINANCIAL AID

Cal ‘68
December 9, 2017

Robert J. Birgeneau
State disinvestment is putting public higher education at risk

Decline in Berkeley’s State Funding

- 1981-82: State Support 52%
- 2011-12: State Support 10%
Berkeley State Funding 2011–12

$590M compact with governor…but only $240M received.

- $350M shortfall
- Salary/benefits of 4,000 staff
Our Primary Sources of Funding Have Changed

*Includes private gifts and investment income
The Lincoln Project

U.S. Public Research Universities:
Recommitting to Lincoln’s Vision,
an Educational Compact for the 21st Century

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Reports and Recommendations

www.amacad.org/Lincoln
Figure 1: State General Fund Expenditures in 2014 (Estimated), by Category

Billions of Dollars

- Elementary & Secondary Education
- Medicaid
- Higher Education
- Corrections
- Public Assistance
- Transportation
- All Other

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State Spending on Corrections

In general, state spending on corrections has grown much faster than education spending. In eleven states, corrections has now surpassed higher education as a percentage of funding.

Figure 7: State Corrections Spending Has Grown Much Faster than Education Spending over the Last Three Decades


AFFORDING THE DREAM:
Student Debt and State Need-Based Grant Aid
for Public University Students

CSHE.4.17, February 2017

Charlie Eaton, Sheisha Kulkarni, Robert Birgeneau,
Henry Brady, and Michael Hout
Stanford University – UC Berkeley – New York University
Share of Full Time First-Year Students Receiving Pell Grants
Figure 7: Pell Grant Aid vs. State Need-Based Grant Aid Per State University Pell Recipient

Source: NASSGAP and IPEDS. Spending for all 4-year public schools.
# Public University Student Debt In Perspective

Percentage of bachelor's degree recipients from public, 4-year institutions by cumulative amount borrowed.

Among public university undergraduates who borrow, the average student debt balance at graduation is $25,500. The average amount for all graduates, including the 36 percent of students who finish with no debt, is $16,390. Nearly 4 out of 5 of such students complete their degrees with less than $30k in debt, and just 2 percent have debt in excess of $60k. Those are the facts!

<table>
<thead>
<tr>
<th>Debt Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>no debt</td>
<td>36%</td>
</tr>
<tr>
<td>$1-$3,999</td>
<td>12%</td>
</tr>
<tr>
<td>$10,000-$19,999</td>
<td>14%</td>
</tr>
<tr>
<td>$20,000-$29,999</td>
<td>17%</td>
</tr>
<tr>
<td>$30,000-$39,999</td>
<td>10%</td>
</tr>
<tr>
<td>$40,000-$49,999</td>
<td>6%</td>
</tr>
<tr>
<td>$50,000-$59,999</td>
<td>3%</td>
</tr>
<tr>
<td>$60,000-$69,999</td>
<td>1%</td>
</tr>
<tr>
<td>$70,000 or more</td>
<td>1%</td>
</tr>
</tbody>
</table>

79% of graduates have debt under $30,000.

Actual Net Price for Low-Income Students and State Aid

[Graph showing the relationship between state aid as a percentage of tuition and actual net price for low-income students, with different categories indicated by different markers.]
Low-Income Student Loan Defaults and State Aid by Research
UC Berkeley Financial Challenges

1. 14% pension contribution since 2008  $125M extra cost

2. Health care  $75M cost increase since 2008

3. Rebenching  $40M loss

Total: $240M annual cost burden
4. Out of state/international students
   $100M increase in revenue since 2011

5. Tuition frozen for 6 years beginning 2011
   $100M annual lost income
   $50M lost financial aid = $3,000 increase in debt for low-income students
Conclusions

1. There is a dire need for increased state-funded need-based financial aid in all but a few states.

2. ~80 percent of graduates from public universities have debt under $30,000

3. Low-income students are twice as likely to attend public universities with little or no research

4. Loan default rates are ~10 percent at top public research universities and ~35 percent at non-research public universities.