



Higher Education

Pennsylvania's diverse higher education sector - consisting of many different kinds of public and private colleges and universities - helps students gain the knowledge and skills they need to pursue their ambitions. Because an educated workforce is crucial to the commonwealth's economic vitality, the people of Pennsylvania annually invest sizable budgetary resources in the form of institutional support and financial aid grants, which help to make a quality postsecondary education more affordable.

This briefing surveys the different types of higher education activities supported by the commonwealth and looks at budgetary trends.

Pennsylvania hosts a strong higher education landscape, including some of the best public and private colleges and universities in the nation.

Despite the strength of its individual institutions, no statewide body exists in Pennsylvania to set postsecondary education policy.

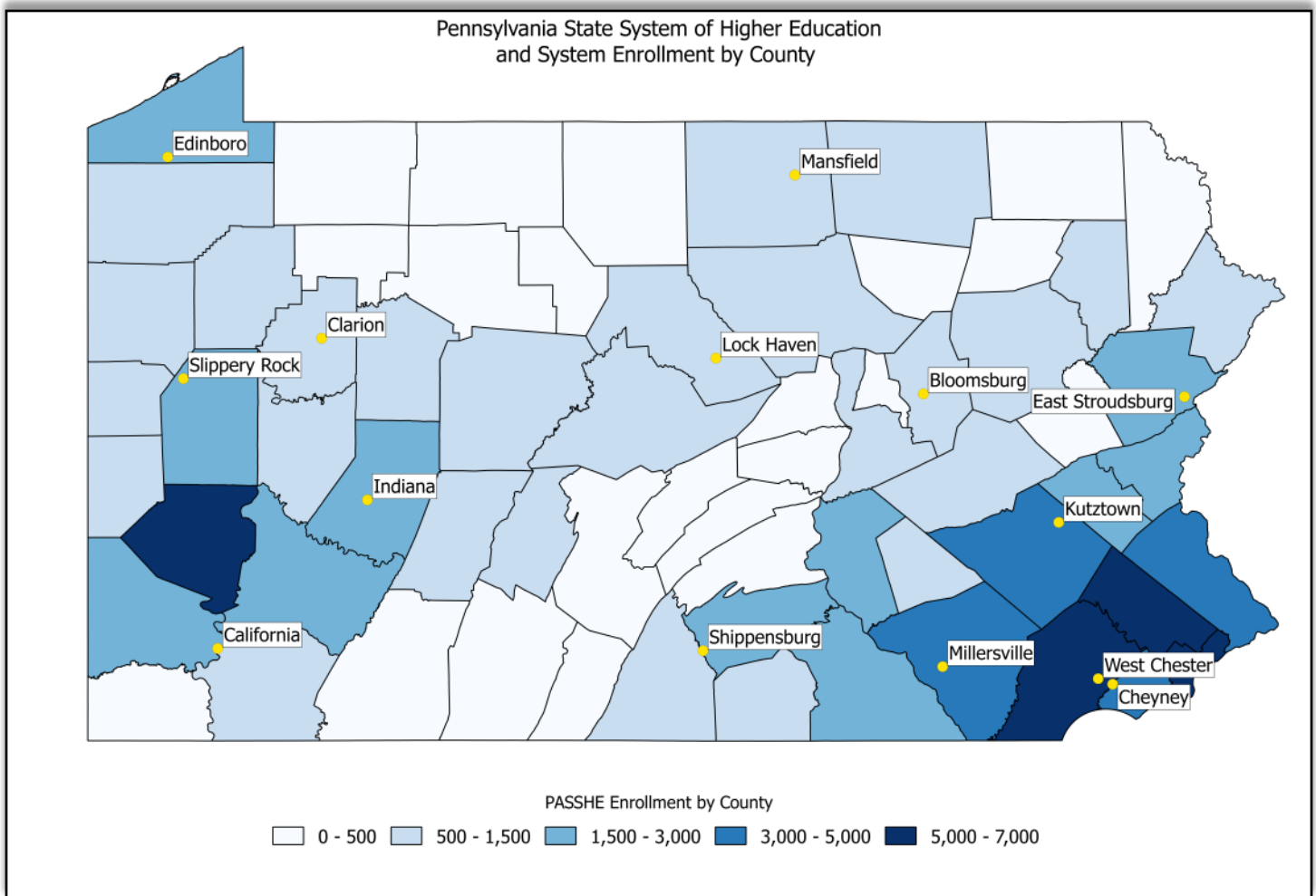
Pennsylvania State System of Higher Education

The Pennsylvania State System of Higher Education consists of 14 state-owned universities across the commonwealth. Formally established in 1982 by Act 188, PASSHE's purpose is to provide high quality education at the lowest possible cost to students. Many of the system's institutions were initially set up to train teachers and evolved into state colleges and universities that now offer a wide range of associate's, bachelor's, and master's degrees, as well as limited doctoral programs.

Because funding for PASSHE is at the system level, annual appropriations come from the General Appropriations Act; PASSHE then distributes the support to member universities through a formula set by the system's Board of Governors. The formula takes into account factors, such as enrollment, instructional costs, support services, and building and grounds costs.

The 14 PASSHE member institutions:

- Bloomsburg University
- California University of Pennsylvania
- Cheyney University
- Clarion University
- East Stroudsburg University
- Edinboro University
- Indiana University of Pennsylvania
- Kutztown University
- Lock Haven University
- Mansfield University
- Millersville University
- Shippensburg University
- Slippery Rock University
- West Chester University



Community Colleges

Community colleges offer two-year and non-degree programs, and were envisioned as a partnership between the state and local sponsors to make higher learning more affordable for students. Community college local sponsors tend to be county governments, although some are supported by groups of school districts. Students who reside in a sponsored area pay lower tuition than students from a non-sponsored location.

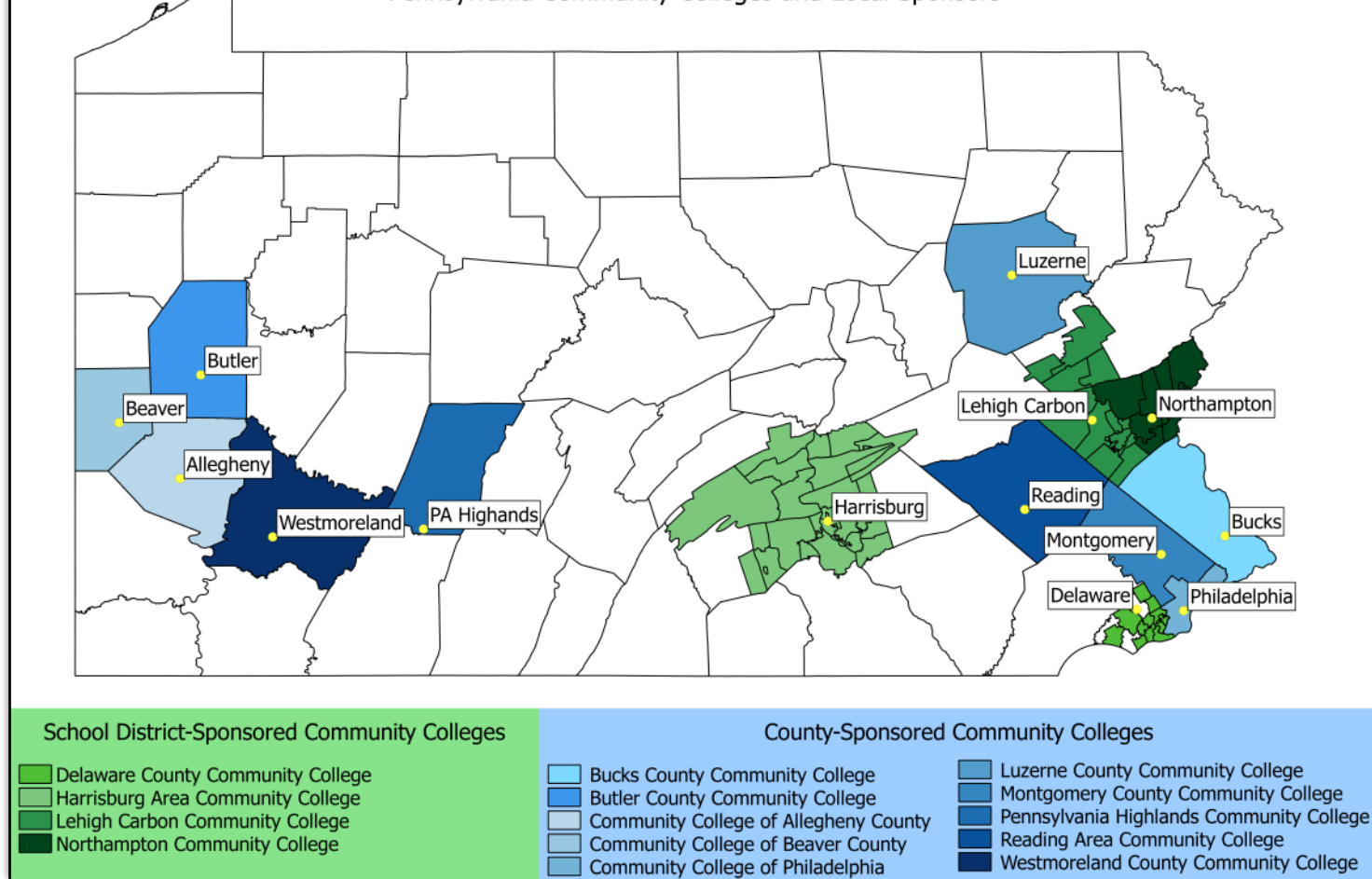
While community colleges remain one of the most affordable options, students are bearing an increasing share of the cost of education as the proportion of funding from the commonwealth and local government sponsors declines.

The Pennsylvania Department of Education distributes community college funding in the budget through a grant program, and the distribution formula is usually set each year by budget implementation legislation.

The 14 community colleges:

- Community College of Allegheny County
- Community College of Beaver College
- Bucks County Community College
- Butler County Community College
- Delaware County Community College
- Harrisburg Area Community College
- Lehigh Carbon Community College
- Luzerne County Community College
- Montgomery County Community College
- Northampton Community College
- Community College of Philadelphia
- Pennsylvania Highlands Community College
- Reading Area Community College
- Westmoreland County Community College

Pennsylvania Community Colleges and Local Sponsors



As the map shows, the commonwealth does not have full geographic coverage with its community colleges, meaning many students in different parts of the state do not have access to this level of learning.

Local sponsor requirements are one reason why efforts to start new community colleges have been unsuccessful over the years. However, the Department of Education and the State Board of Education received a proposal in 2017 to establish a county-sponsored community college in Erie. If approved, it would be the first new community college created in decades.

In response to some of the challenges in creating a true community college, the General Assembly passed legislation in 2014 to establish a “rural regional college” similar to a community college but without the requirement for local sponsor support. This new institution, the Northern Pennsylvania Regional College, began its first year of operation in 2017, combining open enrollment with a remote delivery model. The college has no main campus, and many courses are simulcast to different sites across a nine-county region in northwestern Pennsylvania. Currently, the college offers four associate’s degree programs in partnership with Gannon University in Erie, and a number of workforce development programs.

Community Education Councils

Due to the lack of full community colleges in certain parts of the state, non-profit organizations called community education councils have emerged to help fill this gap. CECs act as facilitators and brokers of employer-driven educational programs, working to help get needed educational programs to students in the area in partnership with other colleges and universities. Community education councils are funded by the General Appropriations Act each year.

Thaddeus Stevens College of Technology

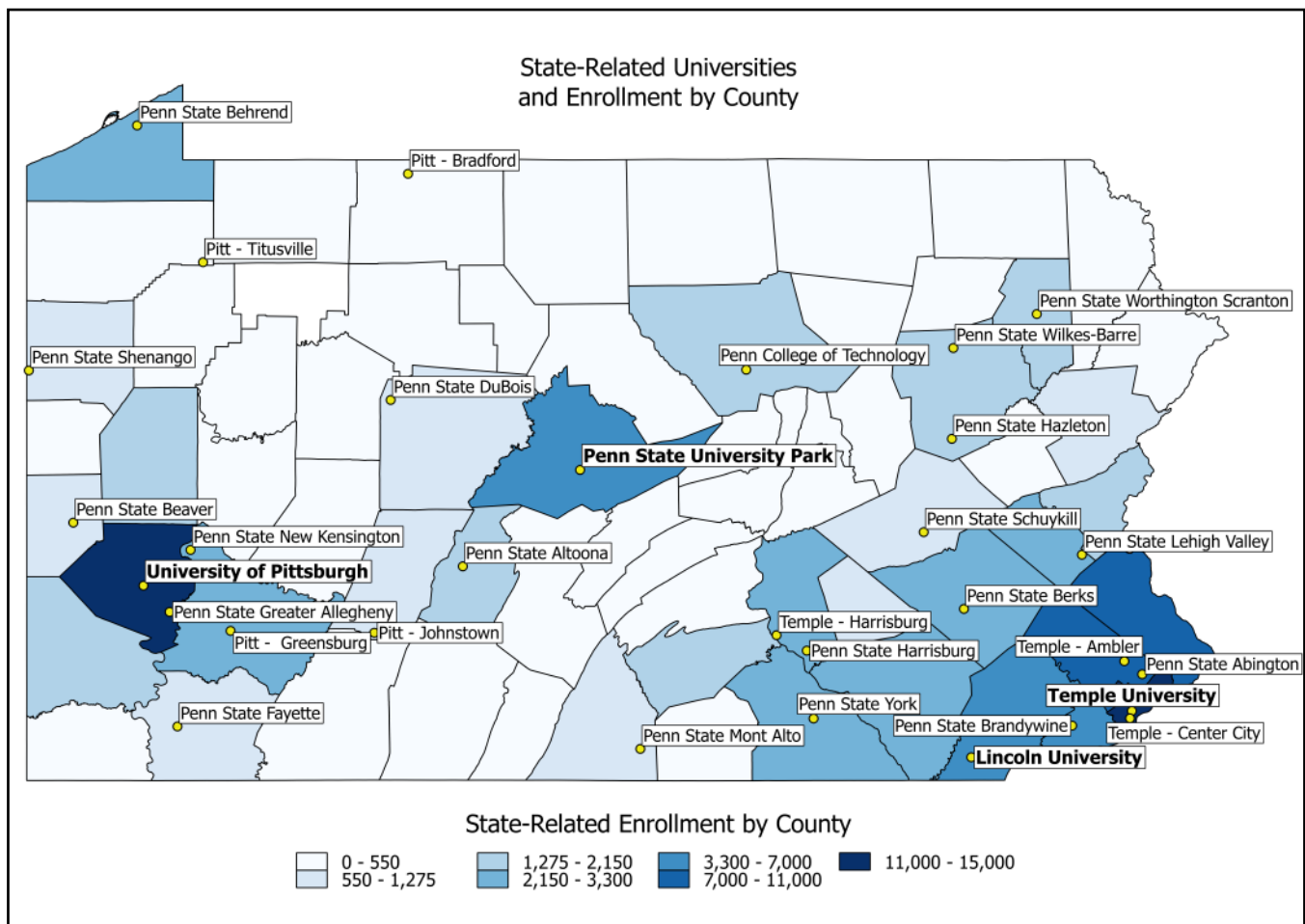
Thaddeus Stevens College of Technology in Lancaster is a two-year technical college owned by the commonwealth. Originally founded in 1905 to serve orphans, Thaddeus Stevens College now provides associate's degrees in 22 high-skill technical education programs to help meet workforce needs with special emphasis on serving economically and socially disadvantaged students. Thaddeus Stevens is funded as part of the General Appropriations Act each year.

State-Related Universities

Pennsylvania has four universities that, while not owned by the commonwealth, have a special status conferred by law. These "state-related" universities receive direct appropriations and, in turn, offer in-state tuition rates for Pennsylvania students.

Penn State, Pittsburgh, and Temple Universities – are major research universities. The fourth, Lincoln University, is a historically black university in Chester County and is the oldest degree-granting historically black institution of higher education in the United States.

Penn State, Pitt and Temple all operate branch campuses in different areas of the commonwealth. Penn State, in particular, has a large network of campuses statewide. While many students study at a branch campus and transfer to the main campus to complete their studies, full four-year programs are also offered at some locations.



The direct appropriations to the state-related universities fall into a special category called non-preferred appropriations. Under the Pennsylvania constitution, any direct appropriation to an educational or charitable institution not under the absolute control of the commonwealth is subject to more stringent rules. Appropriations must be made in separate bills and receive a two-thirds vote from each chamber of the General Assembly to become law. Currently, there are five institutions that receive non-preferred appropriations: the four state-related universities, and the University of Pennsylvania, which receives support to operate the only veterinary school in the state.

Pennsylvania Higher Education Assistance Agency (PHEAA)

Since 1963, PHEAA has helped students pay for college with grants, loans, and work-study opportunities and is one of the largest student financial aid organizations in the country.

Through its subsidiaries and contracts with the federal government, PHEAA provides student loan servicing and financial aid services to students in many states. The business earnings from these activities pay for administrative costs and, in some years, have helped subsidize the state-funded programs the agency oversees.

The largest PHEAA offering is its state grant program, which provides money to students who demonstrate financial need and attend a PHEAA-approved postsecondary institution. To qualify for aid, students must be Pennsylvania residents and enrolled at least half-time.

In 2018, the General Assembly expanded the grant program to include distance education students who take more than 50 percent of credits online. Award amounts vary each year with the amount of funds appropriated, the number of eligible students applying, the financial need of the student, and the type of institution a student attends. Additionally, the PHEAA board can implement separate cost controls for grants for distance education students.

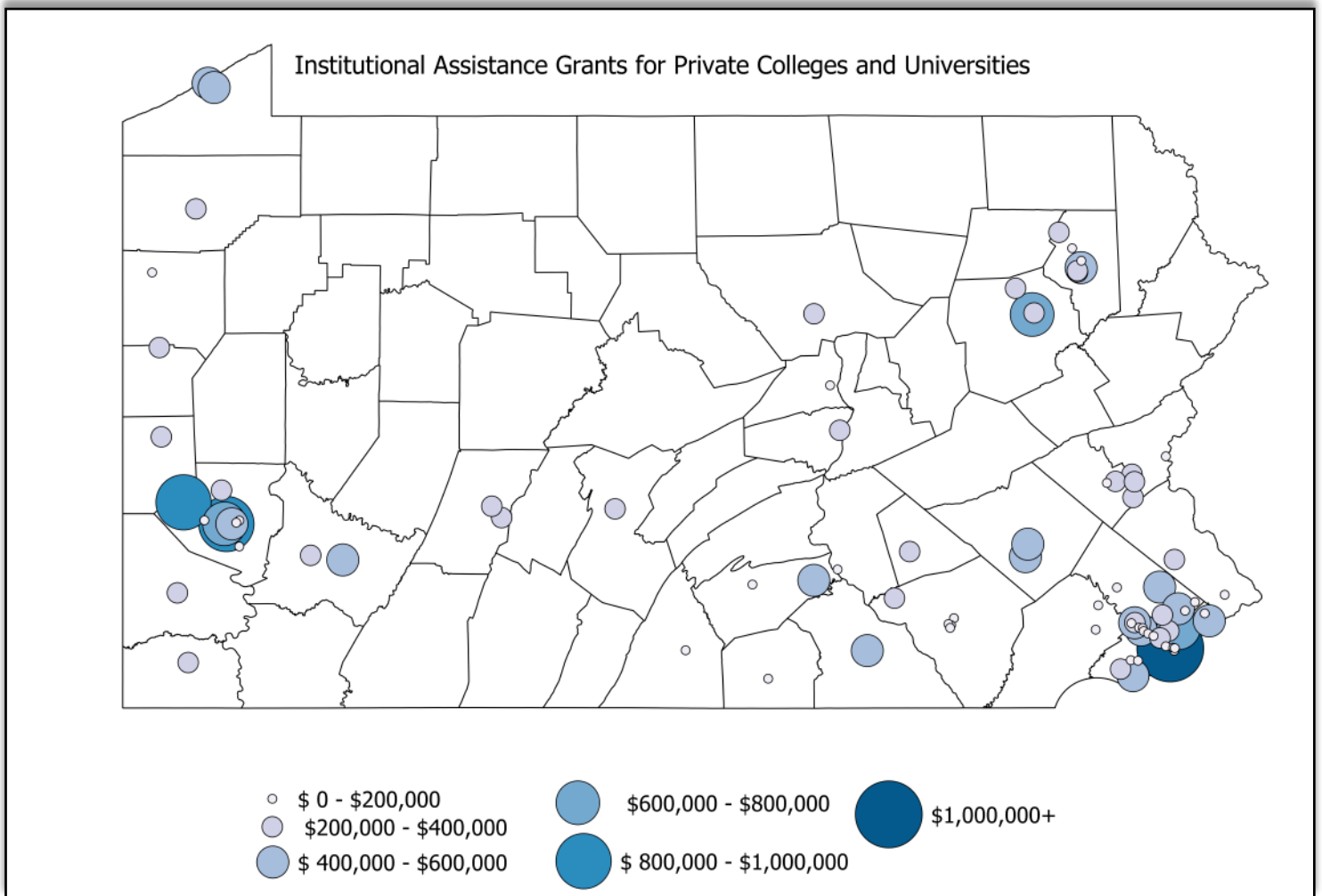
For a number of years, PHEAA's business earnings contributed significant additional funds to augment state appropriations and expand the amount of aid available under the state grant program. Business earnings also support the Pennsylvania Targeted Industry Program (PA-TIP), which provides grants to students enrolled in approved certificate programs in high-priority industries that are less than two years in length; and the Primary Health Care Practitioner Loan Repayment Program, an incentive to attract medical professionals to underserved areas. However, PHEAA's ability to contribute to the programs depends on the health of its business side, which will face increasing challenges in the coming years, which are discussed later in this document.

The General Assembly created a merit-based grant program in 2014 for outstanding students whose annual family income does not exceed \$110,000. The Ready to Succeed scholarship's appropriation is small compared to the existing state grant program, but the merit-based approach is a departure from the traditional need-based state grant program.

Institutional Assistance Grants for Private Colleges and Universities

Private colleges and universities make up a comparatively small portion of direct institutional support each year; however, Pennsylvania has a program to help more than 80 private institutions.

Non-profit, non-denominational colleges and universities that are not state-owned, state-related or a community college and do not receive direct state aid through a non-preferred appropriation are eligible to receive an institutional assistance grant from PHEAA. Grants are distributed based on the number of students who receive individual PHEAA state grants at eligible schools. Once a per capita amount is determined, each school receives its apportionment based on the number of PHEAA grant recipients enrolled at the institution.



Other University Activities and Special Circumstances

Universities are some of the largest employers in Pennsylvania. Because of the breadth of activities with which they are involved, they often intersect with other parts of the state budget.

Universities with academic medical centers and other teaching hospitals receive funding through the Department of Human Services, as part of the Medical Assistance budget.

As Pennsylvania's land-grant institution, Penn State University has an important role in supporting agriculture in the state. It receives funding for agricultural research and for its county extension offices. These programs help bring cutting-edge research into the field and help farmers be more productive and efficient.

From time-to-time, policymakers address special circumstances with other appropriations in the state budget. For example, the General Assembly appropriated money to help pay for the installation of fire sprinklers in dorms following the Seton Hall fire in 2000.

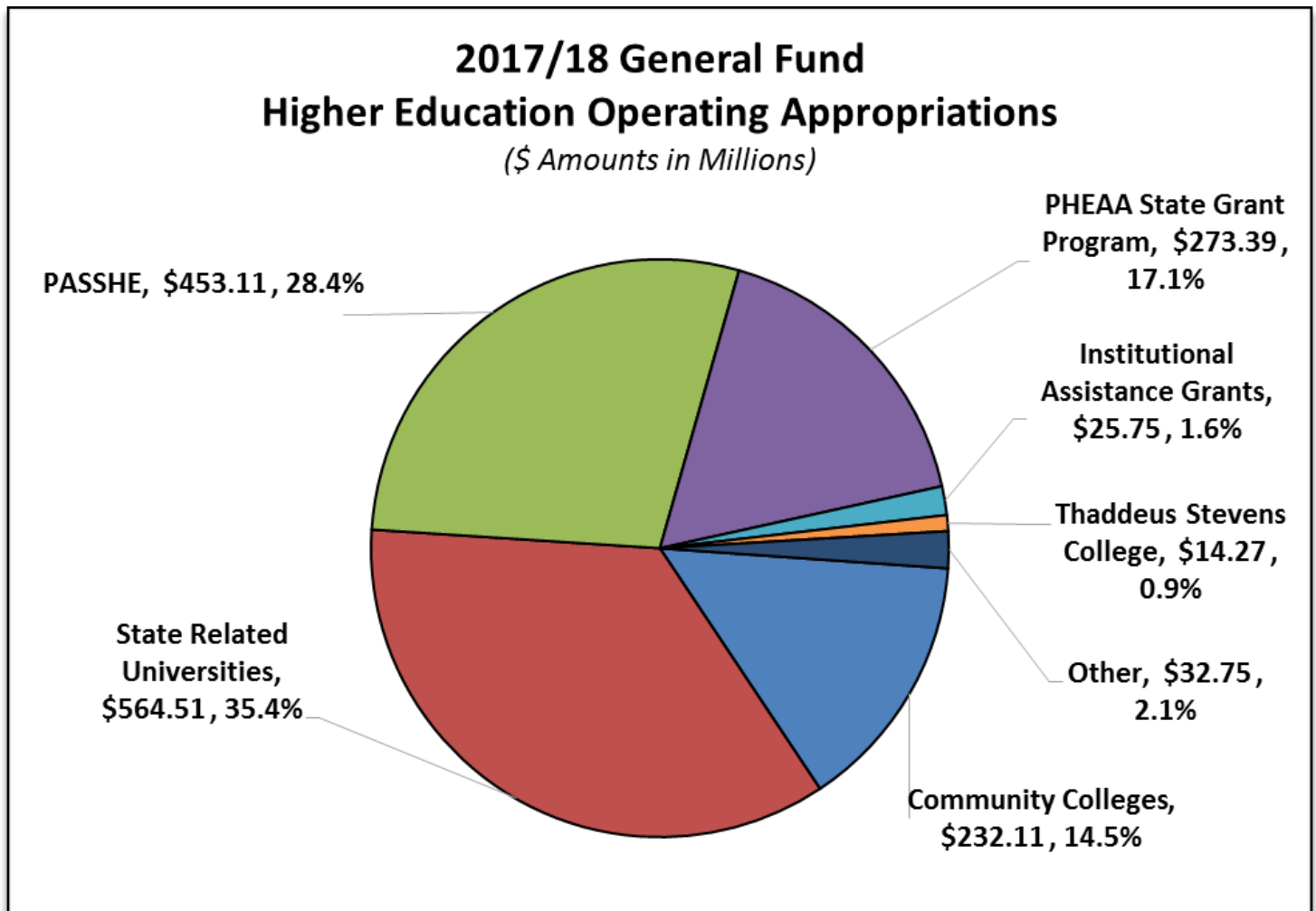
Capital Funding

Capital funding for higher education in Pennsylvania varies by sector. Generally, for its public four-year institutions, Pennsylvania uses general obligation debt to provide capital allocations to the institutions or system, depending on the type of university (i.e., state-related or PASSHE). The institution retains autonomy to make project decisions. Community colleges receive debt service support subsidies for approved projects from the state's operating budget.

PASSHE schools also receive dedicated funding for deferred maintenance through a portion of the realty transfer tax as part of the Keystone Recreation, Park and Conservation Fund (Key '93). This funding also flows from the commonwealth to the system, and then is allocated through a formula by the Board of Governors to the universities.

Recent Budgetary Trends

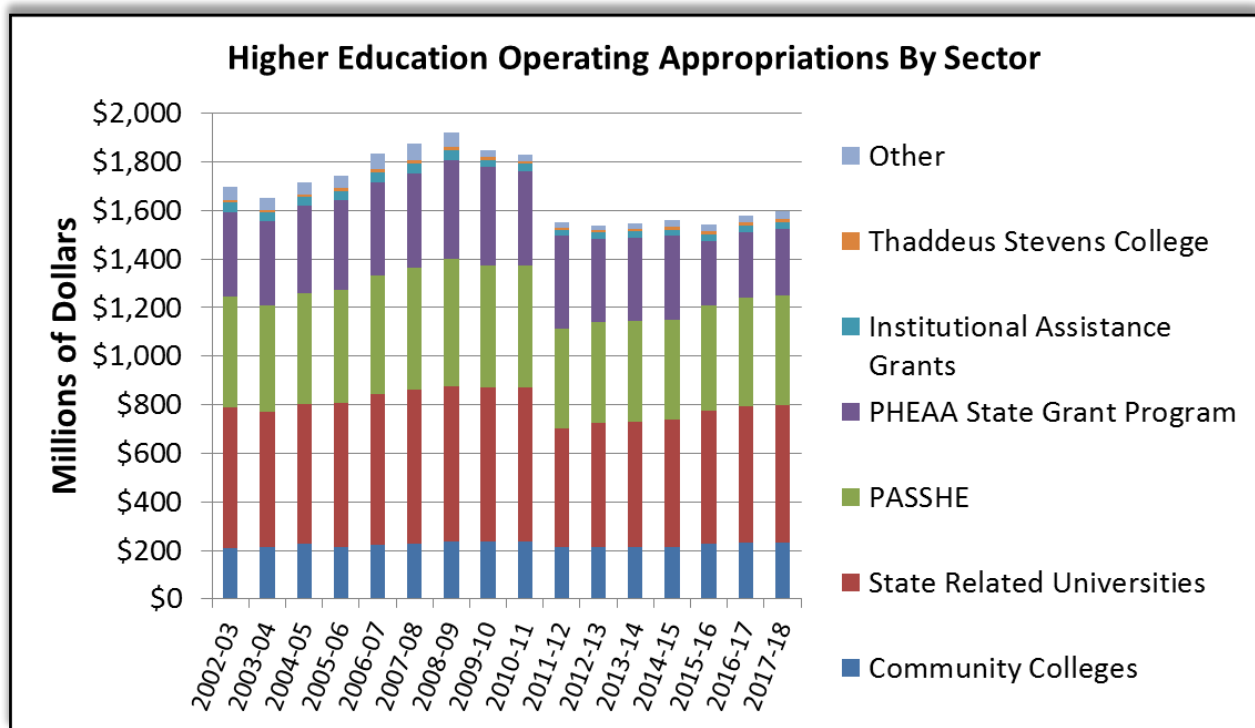
Higher education operating appropriations from the General Fund were about \$1.6 billion in 2017/18.



This amount of support includes all operating appropriations for community colleges, PASSHE, state-related universities, Thaddeus Stevens College, community education councils, regional community college services, and all appropriated PHEAA programs, but excludes community college capital, non-appropriated PHEAA business earnings, and other activities like the University of Pennsylvania veterinary school, agriculture-related transfers to Penn State, and medical school appropriations.

Looking at trends in funding over the medium-term can be difficult because many different things have been grouped under “higher education” in the past. Through the years, the funding mechanisms have changed as well, with appropriations being moved to different departments and into special funds.

To compare apples to apples, the following chart excludes capital funding, agricultural support, business earnings and medical-related appropriations to focus on operational funding, but it includes federal American Recovery and Reinvestment Act appropriations from 2008/09 through 2010/11 that supplemented operational funding.

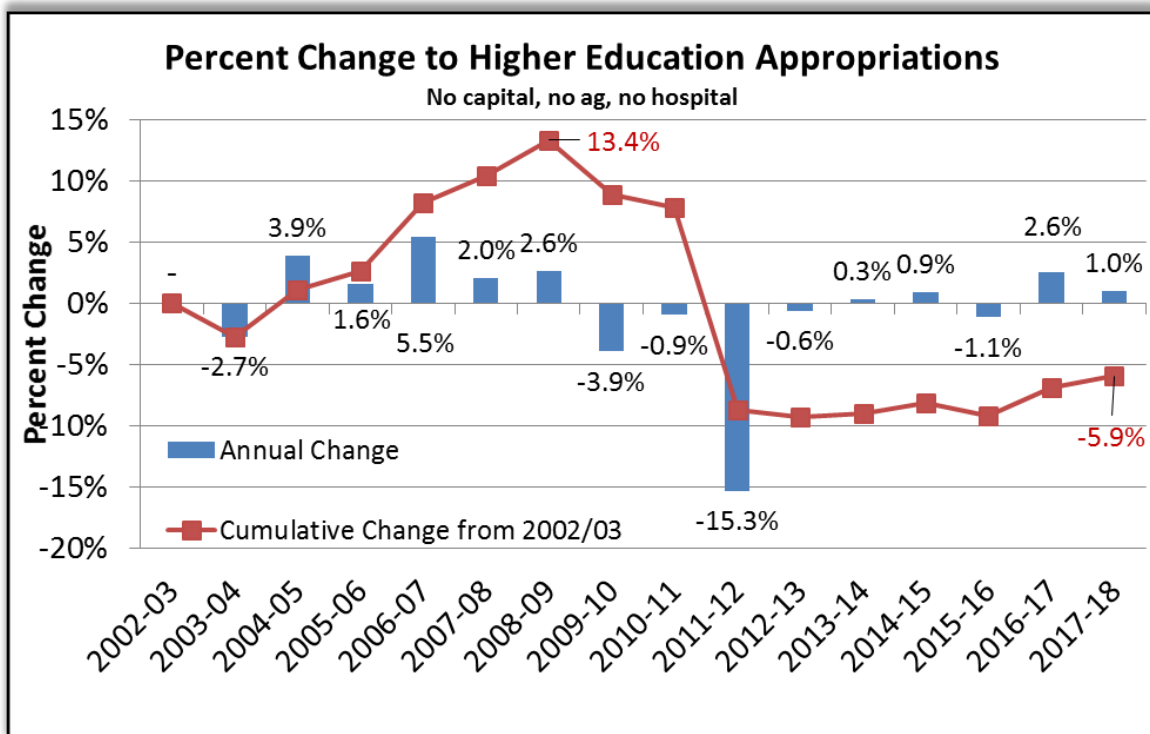


Higher education comprises one of the largest areas of discretionary spending in the General Fund budget. As a result, the sector is more susceptible to cuts during economic downturns and in times of budgetary pressure.

While support increased in years leading up to the Great Recession, significant cuts were made during and immediately after the Great Recession, most notably in 2011/12. Overall expenditures held essentially flat from 2012/13 through 2015/16.

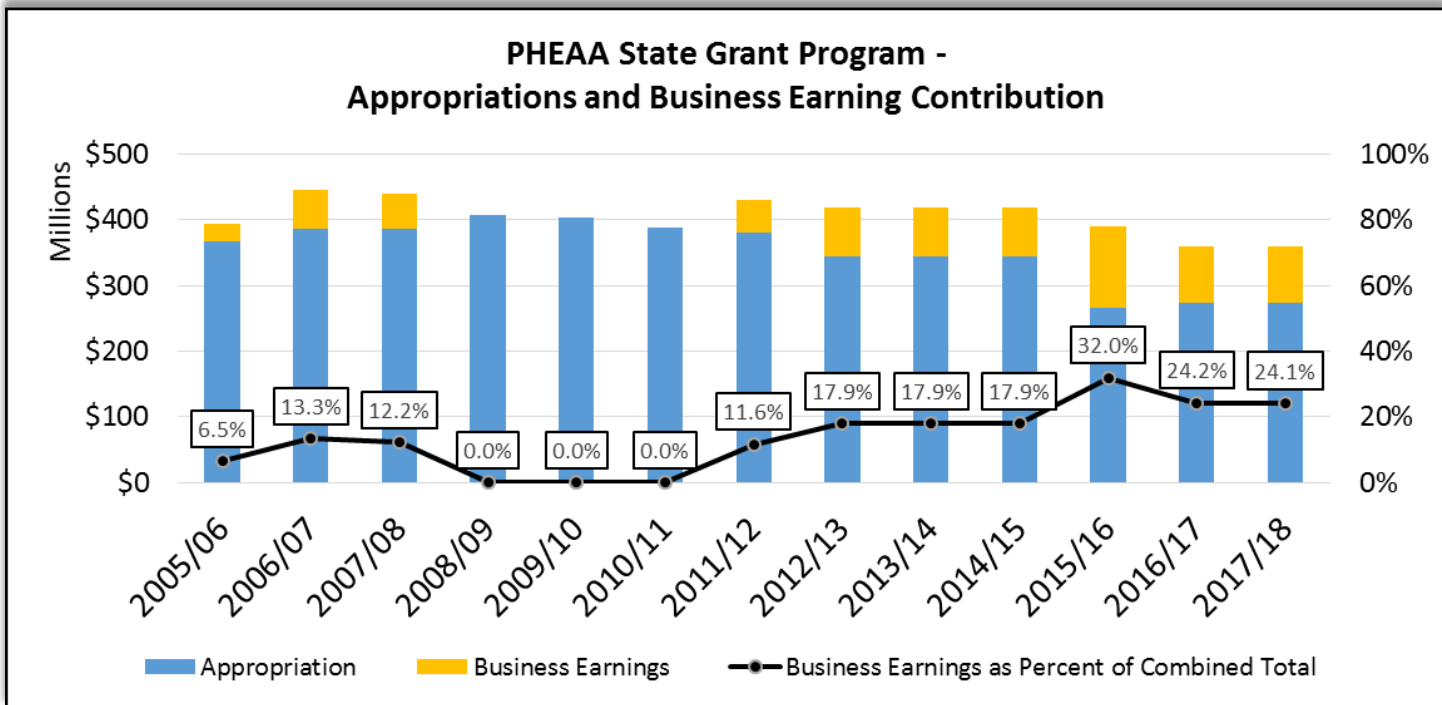
In 2015/16, though institutions saw increased appropriations ranging from 3-5 percent, PHEAA's appropriation declined. The impact of that reduced appropriation was offset, in part, by a greater reliance on business earnings.

Through 2017/18, total higher education operating appropriations stand about 5.9 percent lower than 2002/03.



The recent increased reliance on PHEAA business earnings to augment appropriated dollars presents an important trend for policymakers to monitor.

Of resources provided by business earnings and appropriations, business earnings comprised almost one-third of the amount in 2015/16 and around one-quarter in 2017/18. A cautionary example of what can happen when PHEAA is unable to contribute additional resources comes from 2008/09 to 2010/11, when underlying business pressures on PHEAA precluded any augmentations and dramatically reduced the resources available for student aid.



Although this background document focused on past fiscal years, PHEAA is under increasing financial pressure. As of this publication, the agency projects it will not be able to provide any additional resources to support programs for the 2019/20 fiscal year, which would lead to a large reduction in resources available to support students.

To address the impending gap, policymakers will need to decide the appropriate level of state funding for PHEAA grants and the corresponding impact to Pennsylvania students and their families.

House Appropriations Committee (D)

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