

DRAFT MINUTES

LEGISLATIVE TASK FORCE TO STUDY THE REALIGNMENT OF HIGHER EDUCATION

Monday, October 19, 2015

1:00 p.m.

Multi-Agency Complex (MAC), Room B

Little Rock, Arkansas

The Legislative Task Force to Study the Realignment of Higher Education met on Monday October 19, 2015 in the Multi-Agency Complex (MAC), Room B in Little Rock, Arkansas.

Members in Attendance: Representatives Mark Lowery, Co-Chair, Mark McElroy, Micah Neal, Brent Talley, and Dan Sullivan. Senators Jason Rapert and Stephanie Flowers.

Other Legislators present: Senators Jonathan Dismang and Greg Standridge. Representatives Kenneth Ferguson, David Fielding, Jeremy Gillam, Speaker of the House of Representatives; Representatives Kim Hammer, Sheilla Lampkin, Kelley Linck, Fredrick Love, Micah Neal, James Sorvillo, and James Sturch.

Representative Lowery called the meeting to order.

Consideration to approve Minutes of July 15, 2015 [EXHIBIT B]

Representative Lowery made the motion to approve the minutes. Without objection, the motion was approved by the Committee.

Consideration of a Motion to Authorize Chairs to Approve Special Expenses Incurred by the Task Force

Representative McElroy made a motion to adopt Legislative Council Rule 24a, which concerns the expenditure of legislative council funds for special expenses. The motion was seconded by Representative McNeal. Without objection, the motion was approved.

Overview of Concerns Regarding Higher Education

Mr. Clint Vogus, Instructor, College of Business, Arkansas State University was recognized. He presented a Power Point entitled "Higher Education Concerns" [Handout 1]. Mr. Vogus said that some of his concerns with higher education involved increased costs, lower return on investment, and a decrease in quality over the past several generations. The average annual cost of higher education at a public institution is \$16,789 and \$33,047 at a private institution. In 2012, the average cost of tuition and fees at public institutions increased by 6.7% while general inflation was 1.7%. According to Mr. Vogus, U.S. household incomes have fallen by 7% over the past 6 years. Notably, the total student debt now exceeds \$1.2 trillion. It is higher than both credit card and auto loans, and it is exceeded only by total mortgage debt. Mr. Vogus reported that the default rate on student debt is 14%, which is up from 5.9% in 2000. The average student debt is over \$33,000 up from \$9,364 in 1990 and \$26,682 in 2012. In addition, over 67% of all graduates have student loan debt. In 2000, relative to incomes, the average student loan debt was 32% of the average household income; in 2012, it increased to 54 percent. Student debt is a serious problem, and it is putting an increased burden on students and their families.

Nationally, forty percent (40%) of students who start college do not finish after 6 years. Moreover, about 60% who do not finish have student debt. Mr. Vogus reported the average annual salary of college graduates peaked, in real terms, about 2003 and has declined since 2010. In 2013, forty percent (40%) of college graduates were forced to take jobs that did not require a college degree. Thirty-one percent (31%) of employers of college graduates report that graduates were not adequately prepared for their jobs. Thirty-six percent (36%) of employees did not demonstrate any significant learning over four years. Mr. Vogus indicated that employers noted that communication, critical thinking, analyzing, and problem solving are the most lacking skills of recent college graduates. Fifty-four percent (54%) of employers reported difficulty in finding qualified graduates. Consequently, many high paying non-degree jobs are going unfilled. Mr. Vogus stated that potential students and parents are questioning the value of higher education. He noted that some suggested actions include:

- reducing structural costs of higher education,
- focusing on centers of educational excellence for the state,

- dropping programs,
- restoring rigor and high standards to higher education,
- changing the basis of state funding, and
- reducing the use of student loans.

Mr. Vogus noted that more focus should be placed on technical training. Referencing the cost of higher education from 2000 to 2013, Representative Sullivan asked, “Is it possible to get a breakdown of the cost of tuition and fees?” Mr. Vogus stated he will provide it at a later time. Representative Love asked what is Arkansas doing to subsidize higher education and how do state funds compare with other states? Mr. Vogus replied that Arkansas has held up fairly well relative to other states. He reported that in the U.S., several universities have investigated zero-based budgeting and significant improvements have resulted in cost reductions and improving education. Representative Sorvillo asked about aptitude testing and its effectiveness. Mr. Vogus replied that we need to return to developing a relationship with higher education, technical education, and aptitude testing. Mr. Vogus concluded that in his 7 to 8 years at ASU-Jonesboro, he has not been involved with any reform proposals of higher education.

Discussion of Higher Education Reform and Higher Education Faulty Economics

Dr. Thomas Lindsay, Director, Center for Higher Education, Texas Public Policy Foundation, was recognized. He presented a Power Point entitled “Reforming Higher Education” **[Handout 2]** and submitted two additional handouts, “The Collegiate Learning Assessment Act” **[Handout 3]** and “Higher Education Faulty Economics: How We Got Here” **[Handout 4]**.

Dr. Lindsay stated that Arkansas and Texas experience the same issues and problems with higher education. They are shared by the other 48 states. He reported that too many students are paying too much and learning too little. States are limited in what they can do to address these issues due to the federal policies that are in place. According to a recent study by the Federal Reserve Bank, it confirmed that in the last 30 years increases in federal subsidies to college students allow colleges and universities to hike tuitions without much fear of repercussions. Consequently, for every new dollar of Pell grants that are raised by Congress, universities raise tuition, on average, 55 cents. In addition, for every new dollar of subsidized student loans that are authorized by Congress, universities, on average, raise tuition 65 cents. Dr. Lindsay pointed out that the drive to make college more accessible by sending more students to college has had a profound, unintended consequence that has resulted in the decline of student learning.

Referencing **[Handout 2]**, Dr. Lindsay said that some of the problems that contributed to the higher education crisis include: tuition hyperinflation/student loan debt, administrative bloat, grade inflation, poor student learning, and the lack of accountability and transparency. He stated that average tuitions across the country have risen approximately 440% in the last quarter century. This percentage increase is twice as fast as increases to healthcare, and it is nearly 4 times faster than increases in general inflation. Dr. Lindsay reported that the Texas A&M Commerce adopted the Affordable Baccalaureate degree programs that are 4-year college degrees that cost no more than \$10,000 for tuition, fees, and books. In 2014, Texas A&M Commerce offered the first affordable baccalaureate degree at a public university that relies on the following elements: online learning the first 2 years; competency based that is approximately half the price of traditional education; and that target returning adults and veteran students for faster completion rates. Moreover, these degrees will not require the Texas legislature to raise taxes.

[Handout 3] contained information that summarized the Collegiate Learning Assessment (CLA). Public colleges and universities are required to administer the assessment to all students during their freshman and senior years. In addition, they will be required to publish the results, which are broken down by academic majors. According to Dr. Lindsay, 68% of American students who start college fail to acquire both a degree and the learning that the degree is meant to signify. Dr. Lindsay concluded by stating that students’ success is just as important as students’ access. **[Handout 4]** re-emphasized some factors that contribute to the higher education crisis that were noted in **[Handout 2]**.

Representative Sorvillo asked about a model or study available that Arkansas can view that shows where reform has been successful. Dr. Lindsay replied, “I wish there were,” noting that the legislature can increase the accountability and transparency in higher education. Thus, there will be better informed consumers of higher education, and it will remove barriers to new competition. Dr. Lindsay also noted to accomplish meaningful reform, any state legislature must be aware of the limitations of what can be done because much of the situation has not been created by the states.

Senator Rapert asked the following questions:

1. Is the task force considering proposals?
2. Is there any information available to the task force where other states have consolidated the entirety of their administration of their public universities?
3. Is there any information that shows Arkansas's cost of administration being worse or higher than the normal costs around the nation?

Dr. Lindsay replied there are no recommendations on the table. He mentioned there is an approach to look at a general theory of whether consolidation or merging would be beneficial, and he stated that he will provide the task force with other states consolidation information. He noted that there are several states that have a single system which eliminated redundancies. Dr. Lindsay expressed that it would be remarkable if Arkansas or any other state were to prove immune to this four-decade long trend that has been going on in higher education. Senator Rapert noted that collecting data that actually shows the costs of higher education administration in Arkansas compared to other states' costs would be helpful. Representative Lowery pointed out that the task force will receive a great deal of information, and it is the mission of the task force is to have recommendations by November 2016.

Dr. Charles Welch, President, Arkansas State University System (ASU), was recognized. He said higher education has a lot of challenges and areas that need to be reformed. Dr. Welch noted that the value of higher education. He mentioned that the incarceration rates of college graduates are far lower than individuals that do not attend college. He stated approximately 50% of ASU System's budget is received from the state's general revenue and the other 50% is received from tuition and fees. He said if ASU receives no new state funding and raises tuition by 4% in any given year, this can result in a 2% increase in the budget. He noted that the 2% does not cover inflation in many cases, salary increases, health care insurance plan increases; these are not funded by the state or any other inflationary costs.

Over the last 5 years, ASU has received a 0% increase from the state, noting that the state does not pay for ASU's healthcare cost. In addition, ASU's combined budget has increased by 10.26%, which is approximately 2% per year. Notably, its budget for this year is less than the previous year's budget. Seventy-six percent of ASU System's budget consists of 64% in personnel costs and 12% in scholarships. Moreover, ASU has a zero based budget.

Regarding student loan debt, Dr. Welch said that in the U.S., approximately 50% of student loan defaults are from for-profit institutions. He reported, according to the national average completion rates Southern Regional Education Board (SREB) statistics, Arkansas ranks #1 in Associate degree production and #1 in Baccalaureate degree production. Arkansas is graduating and producing more Associates and Baccalaureate degrees than in other state in the SREB region. Dr. Welch said he will provide the task force with the SREB reports that show how Arkansas's higher education administration costs compared to other states and all other sources that were cited in his statements. Referencing statements that Dr. Welch made regarding ASU Systems budget, Senator Rapert noted that 50% of ASU's budget is received from taxpayers. Dr. Welch rephrased his aforementioned statement to reflect that ASU receives no dedicated funding from the state to assist with healthcare costs. Senator Rapert also pointed out that a lot of issues may be done away with if colleges and universities participate with a larger insurance pool for the state noting that a task force is investigating this issue.

In response to Representative Sullivan's statement regarding students' concerns with the high fees and tuition costs, Dr. Welch concluded by stating that the ASU breakdown of tuition cost and fees on their billing statements to provide greater transparency to students and parents to shows what they are paying for and to place a greater emphasis on ensuring that funds are dedicated and spent for a specific purpose.

Other Business

Representative Lowery noted that Dr. Welch will be invited to attend future meetings and invitations will be extended to Dr. Bobbitt and other institution presidents to discuss pertinent issues.

Next Meeting Date

The Task Force's next meeting date is November 16 at 1:00 pm in the Multi-Complex Agency (MAC) Room B at 1:00 p.m. Representative Lowery noted that the Task Force will take a break and reconvene a meeting in January 2016.

There being no further business, the meeting was adjourned at 3:39 p.m.