



# PENNSYLVANIA

## Budget and Policy Center

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May 17, 2021

### BEFORE THE SENATE DEMOCRATIC POLICY COMMITTEE OF THE PENNSYLVANIA LEGISLATURE

Testimony of Marc Stier, Ph.D., Director, Pennsylvania Budget and Policy Center

Chairwoman Muth, Senators Williams and Schwank, and Members of the Committee:

Thank you for the opportunity to testify to you today about the plans to restructure the PA State System of Higher Education. I am the director of the PA Budget and Policy Center and this is an issue very important to us, one which we have addressed in a series of five in-depth policy reports over the last four years.

My remarks will briefly address two issues: first the impact of the proposed PASSHE redesign on its employees and the communities in which the 14 colleges and universities are located; and second, impact on students and potential students and the long-term economic future of our state.

#### The Impact of PASSHE System Redesign on Employees and Communities

Last month we released a report we commissioned titled, *The Economic Impact of the PASSHE Employment Reductions*. It was written by Professors Michael Ash, Shouvik Chakraborty, and Robert Pollin of the Political Economy Research Institute at the University of Massachusetts, Amherst.<sup>1</sup>

The report concluded that the proposed reductions in staffing of faculty and of professional and classified staff in good, unionized jobs, amount to 14 percent of overall PASSHE employment. This is of a magnitude equivalent to the largest private-sector plant closings and mass layoffs of the previous decade in Pennsylvania. The plan is to “cut 809 faculty positions by 2023. This would reduce overall faculty staffing from its 2019 level of 5,069 to 4,260 as of 2023, amounting to a 16 percent cut in faculty positions across the 14 universities. In terms of overall employment—including non-teaching staff as well as faculty members—the plan is to cut 1,531 jobs as of 2023, from 11,048 total positions in 2019 to 9,517 positions in 2023. This would amount to a 13.9 percent decline in system-wide employment.”

These striking employment cuts are tied to the proposed reduction of the PASSHE budget for 2023, exclusive of student aid, by \$44.2 million, or 2.9% of the 2019 level of spending. Considering likely inflation in costs, this amounts to an 11percent cut in the PASSHE budget between 2019 and 2023.

The authors of the study conclude that effects on the host communities for the PASSHE colleges that will be consolidated is comparable to the ongoing experiences in Pennsylvania with factory closures and its associated job destruction. Like the factory closures in the 40 or more years, they are

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<sup>1</sup> Michael Ash, Shouvik Chakraborty, and Robert Pollin, *The Economic Impact of the PASSHE Employment Reductions*. Political Economy Research Institute at the University of Massachusetts, Amherst, April 2021.

concentrated in rural counties that already have poverty rate higher than the state average. And again, like factory closures, PASSHE universities are among the largest employers in their area. The PASSHE university is one of the ten largest employees in seven counties in the state. The proposed employment reductions rank as the largest layoffs in five host counties, and among the top four largest layoffs in nine counties and among the top seven in ten counties. See Table 3 of the report below.

**TABLE 3**  
**Contribution to County Mass Layoffs of PASSHE Employment Reductions**

University	PASSHE Planned Employment Reduction	PASSHE Proposed Layoffs as Share of Host County Average Annual Total Mass Layoffs, 2010-2012	Rank of PASSHE Layoffs among All Host County WARN Layoffs 2011-2019
Kutztown	145	7.6%	7th
Clarion	125	31.2%	1st
Lock Haven	114	31.3%	1st
Bloomsburg	154	16.0%	2nd
Shippensburg	185	19.2%	4th
Edinboro	236	19.7%	4th
Indiana	383	44.3%	1st
Millersville	42	1.3%	36th
East Stroudsburg	33	3.7%	1st
Mansfield	101	25.3%	1st
California	141	11.0%	3rd

Notes : Planned Employment Reduction 2019-2020 to 2022-2023.

Source: Comprehensive Planning Workbooks, September, 2020; Mass Layoff Statistics, Bureau of Labor Statistics; Pennsylvania Department of Labor and Industry WARN Notices; Quarterly Census of Employment and Wages, Bureau of Labor Statistics.

In estimating economic impact of employment loss of this order, the PERI study looked at the impact of employment loss of three kinds. The first is the direct effect of employment cuts at the state universities. The second is the indirect job loss “among the chain of business enterprises that provide supplies to the universities, including food for cafeterias, paper for departments, and contracted IT services.” The third is the induced job loss that results when there are fewer workers at the universities who spend their incomes within their respective communities.

The study concludes that 2,263 jobs will be lost in Pennsylvania because of the PASSHE restructuring plan (Table 4 of the report below).

**TABLE 4**  
**Total Employment Impact of PASSHE Employment Reductions**

University	Direct Employment Losses	Indirect Employment Losses	Induced Employment Losses	Total Employment Losses in Pennsylvania	Total Employment Losses in Surrounding Counties
Bloomsburg	-154	-17	-54	-225	-194
Lock Haven	-114	-13	-40	-166	-141
Mansfield	-101	-11	-35	-148	-116
<b><i>Bloomsburg-Lock Haven-Mansfield</i></b>	<b>-369</b>	<b>-42</b>	<b>-128</b>	<b>-539</b>	<b>-452</b>
California	-141	-22	-68	-231	-195
Clarion	-125	-14	-43	-182	-171
Edinboro	-236	-27	-82	-345	-309
<b><i>California-Clarion-Edinboro</i></b>	<b>-502</b>	<b>-63</b>	<b>-193</b>	<b>-758</b>	<b>-675</b>
East Stroudsburg	-33	-4	-11	-49	-42
Indiana	-383	-43	-133	-560	-541
Kutztown	-145	-16	-50	-212	-195
Millersville	-42	-5	-15	-61	-54
Shippensburg	-185	-21	-64	-270	-234
<b><i>Eight Continuing Universities</i></b>	<b>-661</b>	<b>-75</b>	<b>-230</b>	<b>-966</b>	<b>-900</b>
<b>Grand Total</b>	<b>-1,531</b>	<b>-180</b>	<b>-552</b>	<b>-2,263</b>	<b>-2,026</b>

Notes: Employment is Annualized Unrestricted FTE Net of Turnover. Actual values are shown for 2019-2020 and projected values are shown for 2022-2023. Totals for Eight continuing universities and the PASSHE System include small employment increases at Cheyney, Slippery Rock, and West Chester (not shown).

Source: Comprehensive Planning Workbooks, September, 2020

The economic impact of job losses of this magnitude will be striking and can be seen in the estimates of state and local tax revenue loss. The study estimates that the state and local government will lose 11.6 million in revenue because of the restructuring plan. (See Table 5 of the report below.)

**TABLE 5**  
**Effect on Annual Tax Revenue of PASSHE Employment Reductions**

University	Change in State and Local Annual Tax Revenue			
	Local Revenue Loss in Surrounding Counties Local Revenue	Pennsylvania Statewide		
		Local Revenue Loss	State Revenue Loss	State + Local Revenue Loss
Bloomsburg	-\$277,143	-\$462,863	-\$666,420	-\$1,129,284
Lock Haven	-\$188,376	-\$342,639	-\$493,324	-\$835,963
Mansfield	-\$139,034	-\$303,566	-\$437,068	-\$740,634
<b><i>Bloomsburg-Lock Haven-Mansfield</i></b>	<b><i>-\$604,554</i></b>	<b><i>-\$1,109,069</i></b>	<b><i>-\$1,596,812</i></b>	<b><i>-\$2,705,881</i></b>
California	-\$359,050	-\$586,093	-\$843,844	-\$1,429,937
Clarion	-\$309,249	-\$375,701	-\$540,926	-\$916,626
Edinboro	-\$448,969	-\$709,323	-\$1,021,267	-\$1,730,590
<b><i>California-Clarion-Edinboro</i></b>	<b><i>-\$1,117,267</i></b>	<b><i>-\$1,671,117</i></b>	<b><i>-\$2,406,037</i></b>	<b><i>-\$4,077,154</i></b>
East Stroudsburg	-\$81,346	-\$99,185	-\$142,804	-\$241,989
Indiana	-\$996,821	-\$1,151,147	-\$1,657,396	-\$2,808,543
Kutztown	-\$376,342	-\$435,813	-\$627,474	-\$1,063,287
Millersville	-\$73,289	-\$126,235	-\$181,751	-\$307,986
Shippensburg	-\$344,328	-\$556,037	-\$800,570	-\$1,356,607
<b><i>Eight Continuing Universities</i></b>	<b><i>-\$1,575,590</i></b>	<b><i>-\$1,986,706</i></b>	<b><i>-\$2,860,414</i></b>	<b><i>-\$4,847,120</i></b>
<b>Total</b>	<b>-\$3,297,411</b>	<b>-\$4,766,891</b>	<b>-\$6,863,263</b>	<b>-\$11,630,155</b>

Notes: Employment is Annualized Unrestricted FTE Net of Turnover. Actual values are shown for 2019-2020 and projected values are shown for 2022-2023. Totals for Eight continuing universities and the PASSHE System include small employment increases at Cheyney, Slippery Rock, and West Chester (not shown).

Source: Comprehensive Planning Workbooks, September 2020.

The impact on educational opportunity will be striking as well. Student-faculty ratios between 2019 and 2023 will increase 15%, while the ratio of students to all staff members will grow by 12%

The impact of faculty cuts will, of course, be especially felt on younger, untenured faculty who are disproportionately women. While women make up only 46% of faculty with tenure, they make up 57% of untenured faculty.

### The Opportunity for Higher Education and the Economic Future of Pennsylvania

These numbers are shocking, but to really grasp their importance we have to quickly turn to a second topic: the impact of budget and employment reductions on the opportunity for higher education and the economic future of our state.

The PASSHE system restructuring is being put forward as necessary to meet the demographic changes in our population—that is, the declining population of 20-25 year olds, the prime age of

college students. This demographic change is widely thought to be responsible for declining enrollments in PASSHE schools.

We very much dispute the notion that the declining number of students is or even primarily a product of demographic change as opposed to tuition increases. Our paper of a few years ago, *PA Higher Education at a Crossroads*, addresses one element of this issue.<sup>2</sup> It does show that the number of PA high school graduates did decline since 2008 (Figure 3). Yet enrollment fell faster relative to the number of high school graduates for four Western PA PASSHE schools (Figure 4) than it did for nine other Eastern PA PASSHE schools. We attribute that to the higher cost of going to college in those areas primarily because of higher tuitions.

As we have shown in many works over the past five years,<sup>3</sup> tuition has risen dramatically at PASSHE schools as state funding has precipitously declined. State funding for higher education is now only 38% of the 1983-84 level. The state ranks 47<sup>th</sup> out of 50 states in per capita investment in higher education. As state support has fallen, the student share of costs has increased dramatically. Whereas in the 1980s more than 70% of the cost of attending college was paid for the state, today there has been a complete reversal. More than 70% of the cost of attending college has fallen on students. Tuitions and fees grew by 66% between 2000-01 and 2015-16. The net cost of a PASSHE education, including tuition and other expenses, relative to the median income of families is second worst from the bottom of all states in the country. We are tied with Alabama at that rank, not because our median income is so low but because the costs of higher education in Pennsylvania are so high.

It's not just the cost of education that leads to the loss of students, it is the relative paucity of opportunities for higher education in parts of the state, and especially in Western PA. When students must travel far or live on campus to secure a higher education, their costs increase dramatically. The PASSHE restructuring program will exacerbate this problem by asking students and potential students to travel even farther.

What is particularly concerning about the PASSHE restructuring program is the population decline that partly explains the loss of students is expected to reverse. The Center for Rural Pennsylvania projects the PA population between now and 2040 shows that the decline in college age students has stopped and will begin to reverse in 2030.<sup>4</sup>

And, finally, while we do support increased investment in all forms of post-secondary education including workforce training oriented to jobs that don't require a college degree, the best evidence we have is that the number of jobs in the United that require a college degree is increasing not decreasing—and by a great deal.<sup>5</sup> Meanwhile Pennsylvania ranks 40<sup>th</sup> of 50 states for the share of adults over 25 with more than a high school degree.

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<sup>2</sup> References to the papers and our overall conclusions can be found in Eugene Henninger-Voss and Stephen Herzenberg, [Pennsylvania Higher Education at a Crossroads: To Boost Opportunity and Growth, Pennsylvania Needs to Invest in Higher Education](#).

<sup>3</sup> The data in this paragraph and associated references can be found in the [Know The Issues: Higher Education](#) section of the KRC-PBPC website.

<sup>4</sup> See The Center for Rural Population, [Pennsylvania Population Projections, 2010-2040](#), especially Table 3.

<sup>5</sup> See, for example, this piece: <https://observer.com/2019/05/college-graduation-rate-drops-american-workforce-economy/>.

The evidence of the importance of a highly educated population to economic success remains compelling. One additional year of schooling in a region is associated with a 17.4% increase in GDP per capita and a 17.8% increase in wages.<sup>6</sup>

So, enrollment stagnation in PASSHE schools is, in our view, not a reason for the state to continue to disinvest from higher education but, rather, to invest more. Given the importance of college-educated workers to our economy and how the opportunity to go to college is central to equality of opportunity, the right response to enrollment decline is to reverse it by making college more affordable—not to take steps that, by making college even more unaffordable, will not only accelerate the decline but lead to economic stagnation in the state.

Finally, I want to add one more point: I believe that public policy failures that have led to the high cost of college—and the voices from the right saying that “too many kids going to college” and “we should invest in vocational education not college”—is connected to the changing demography of high school graduates. The rate at which young Black people graduate from high school is now about equal to that of young white people, though the gap was substantial as recently as 1990. And the percentage of high school graduates who are non-white nationwide has risen from 12% in 1975 to 18% in 1990 to 43% by 2012. I don’t think it is an accident that support for higher education across the country declined as the percentage of non-white high school graduates who might take advantage of state supported higher education increased. And while most state senators and representatives won’t admit that this is a consideration, the former Republican Senate chair of the Education Committee, John Eichelberger from Blair County was reported to have said just that.<sup>7</sup>

[Here's how his remarks were reported in the Cumberland County-based Sentinel newspaper:](#)

“He then moved into a critique of Pennsylvania's inner city education programs, positing that money was being misspent on pushing minority students from high school into college instead of into vocational programs.

‘They're pushing them toward college and they're dropping out,’ Eichelberger said. ‘They fall back and don't succeed, whereas if there was a less intensive track, they would.’”

## Conclusion

The restructuring proposed for the PASSHE system will have a devastating impact on the economy of many counties and will undermine educational opportunity and the economic future of our state. It is not something that is a necessary response to demographic change. It is, rather, a desperate response to decades of declining investment in higher education that has given us among the highest cost higher education in the country and left our state far less educated than it should be. Our failures to fund higher education suggest that the restructuring plan we need is one in which the state commits substantial new funds to making higher education affordable again.

The restructuring plan is a Band-aid for the self-inflicted wound that is the failure to fund PASSHE over the last few decades. It may temporarily stop the bleeding, but it will not cure the deep-seated infection that threatens to destroy opportunity for working and middleclass students and the economic future of our entire state.

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<sup>6</sup> See the [Know The Issues: Higher Education](#) section of the KRC-PBPC website.

<sup>7</sup> See the report of his remarks in Zack Hoopes, [Sen. Eichelberg tackles education questions at town hall meeting](#), The Sentinel, Feb 16, 2017.