

Uncertain and Unplanned: The Future of Public Higher Education

There is reason for concern about the future of public higher education in the United States. The concern is driven, most visibly, by the recent significant cuts in state support experienced on most public university campuses and by the harsh reality that today's strains are merely a continuation of a three-decade-long trend driven by systemic tensions in state budgets.



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But of greater concern is the fact that the transformation of public higher education is occurring piecemeal—campus by campus, state by state—absent any overarching design, any significant national debate, or studied assessment of the broader implications. Public higher education is becoming more expensive; missions and funding streams are more diverse; and critical decisions are being made by boards of trustees, which are typically too small and not diverse enough to be effective.

Many will find it difficult to worry about the future of public higher education. The information-based (or knowledge-based) economy and the consequent escalating value of education will continue to fuel demand for access to higher learning—even in the face of steep increases in college costs and prices. And, because the public higher education sector is the prime guarantor of access to American higher education, it is difficult to imagine the public would tolerate any significant deterioration in access or quality at public institutions.

Nevertheless, not so subtle warning signs suggest changes in mission and character of public universities are occurring on an unprecedented scale.

Rising Tuition

There exists today the impression that "public" institutions, in many respects, are becoming less and less public and that the distinction between public and private universities has narrowed. One reason for this perception is that tuition at public institutions is higher. Cuts in state support to public universities have forced tuition increases, as

campuses have attempted to replace lost state revenue. Unfortunately, increases in tuition and fees outpaced inflation; growth in personal income; and virtually every available benchmark.

A recent study by Thomas Kane and Peter Orszag, titled *Funding Restrictions at Public Universities: Effects and Policy Implications*, and published by the Brookings Institution in September 2003, documents the decline in state appropriations for public higher education from \$8.50 per \$1,000 in personal income in 1977 to \$7 in 2002. During that same timeframe, as the fraction of state budgets devoted to higher education slipped, the relative share committed to Medicaid and prisons grew. Compounding these systemic pressures, many states yielded to the temptation in good years to create new and expanded obligations and enact tax cuts. Whatever the dynamics, state support for public universities has diminished over the last two decades.

The precise circumstance for public universities varies from campus to campus, but the overall picture is disturbingly consistent. For the University of Michigan, the decline in state dollars went from roughly one-third of

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the university's total budget some 20 years ago to 18 percent now. The picture for the University of Illinois shows a comparable decline in the role of state support, from 47 percent of the total two decades ago to 25 percent today. Penn State has a similar pattern, down from 54 percent 20 years ago to roughly 25 percent today. State funding for the University of Colorado has dropped below 10 percent.

In Arizona, for example, tuition was increased by 40 percent this past year. Other states saw less dramatic increases, but in almost every state, public university tuition increased sharply.

In 1979 the University of Illinois undergraduate tuition was roughly \$700 per year. Next year it will be more than 10 times that amount, roughly \$8,000 for resident students and more than \$20,000 for students from other states. Illinois is by no means an isolated case.

As tuition and other college costs increased, states and institutions increased need-based financial aid to help offset the impact on students from low- and middle-income families. Too often those efforts have been inadequate. Moreover, in the face of an economic downturn, even state funding for need-based aid is not immune to cuts.

More worrisome, however, the national consensus supporting need-based student financial aid appears to be weakening. Funding for the Federal Pell grant has lagged well behind inflation and college cost increases. Students

from upper income families are five times more likely to attend college than their counterparts from the lowest income quartile.

At the state level, several states have created financial aid programs designed to encourage students to attend college in-state, or to aspire to higher academic achievement, but they are not specifically targeted to low-income students. The Georgia HOPE Scholarship program is the most prominent example, with the Florida Bright Scholars program and several other significant non-need-based

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student aid programs also having been launched in recent years. While these are worthy programs, they are not powerful enough to make college accessible for students from low and middle-income families.

Growing Privatization

Is the “public” mission or character of public colleges and universities shifting? While most presidents and chancellors might argue “no,” still, market forces and competitive instincts are increasingly

shaping institutional policy, priorities and decisions. Public support for strong state-wide policy and coordinating bodies appears to be weakening. Is it fair, for example, to increase tuition in order to support public service programs, like the agricultural cooperative extension? Again, to quote Graham Spanier, president of Penn State University (The Privatization of American Public Higher Education, remarks to the University Faculty Senate, Spring, 2004), “We may have reached a crossroad in our history where financial considerations will force us to refine our mission. Asking students to pay more tuition to support our outreach mission is not an option.”

While it can certainly be debated, there are signs the quality of public higher education is suffering. Kane and Orszag suggest that quality at public universities is declining as compared to private universities. Their data show the faculty salary gap between major public and private research universities has grown from virtually nothing two decades ago to 15 to 20 percent today, depending on rank. Kane and Orszag conclude: “...we find that salaries have declined, and student-faculty ratios and workloads have increased at leading public universities relative to private universities.” They also present data showing that SAT scores have “dropped significantly at public universities relative to private universities.”

In an effort to address these and other concerns, Michigan, Virginia and other major public research universities have for years talked of privatization, which generally involves increasing tuition, seeking more private gifts and reducing state support in exchange for more autonomy. The number of public universities discussing the option of “privatization” and exploring the prospect of “becoming less public” is growing.

In a draft paper prepared for the Association of Governing Boards (AGB), David Breneman, economist, scholar of higher education, and dean of education at the

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University of Virginia, notes that the cycles of reduced state support followed by rising tuition have led to calls for less state regulation and more “privatization.” “Can a new bargain be struck between states and public higher education,” he asks?

Where Are We Headed?

Is it yet possible to return to the ideal of an earlier day when the vision of the public university, as set forth in the Morrill Act and promulgated in countless other ways throughout the 20th century, reigned? Or is it time to explore new approaches that will preserve the “public essence” of the public university while empowering these institutions to be more responsive to changed circumstances?

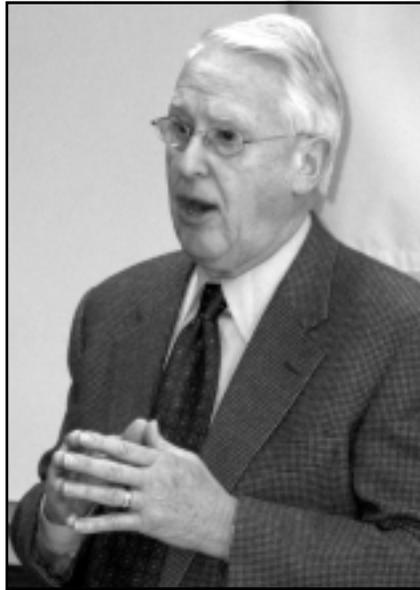
At least four central questions need to be confronted:

I. What is the Social Contract—the Public Essence—Binding Public Universities, States, and the Society?

In his AGBpaper (Can a New Bargain Be Struck Between States and Public Higher Education?), Beneman has argued that the first order of business must be to rethink the relationship of public universities, the state, and the society. At the time of the passage of the Morrill Act, the broad outlines of the social contract were fairly clear: create a broader curriculum aligned with the changing needs of the new industrial society; expand access for the middle class; and apply knowledge to the broader welfare of the society.

Throughout the 20th century, the public university mission of teaching, discovering, and sharing knowledge prevailed. Even as recently as 1960, the University of Illinois, like most other public universities, remained very accessible, with near-open admissions and relatively low cost.

Today the university is far from free and admission is highly competitive. Sons and daughters of farmers and factory workers can still be found; but so too are the high-achieving children of surgeons and stockbrokers. The question that needs asking in Illinois and every state is: What does the public want and require from public universities and colleges; what are the central interests of the state and the public at large; and what values underpin them?



The general outline of a 21st-century social contract for public higher education would not be overly difficult to craft. In the information-based, globally competitive economy in which we live, open, affordable access to education remains as crucial to society’s interests as it always has been. The quality and relevance of teaching and learning, the creativity of research and innovation, and the commitment of public colleges and universities to engage with the endless challenges confronting society are all central to that contract.

But how are these needs and values to be expressed in the expectations and commitments between public universities, governments, and the many publics with a stake in the outcome? Ultimately we must ask: What new policies and approaches can reconcile forces now threatening both the public interest and public colleges and universities? The answers should form the framework of a new social contract defining the relationship between public higher education and society.

II. Can Prices at Public Universities be Set More Rationally?

A key part of renegotiating the social contract must be to rethink pricing policies and their long-term implications. More than any other factor, changes in pricing policies have set off alarm bells and triggered questions about the future of public higher education. Tuition increases alone are not responsible. Novel actions taken in several states appear to set wholly fresh precedents.

Miami University of Ohio, for example, gained approval from the governor and legislature to increase tuition for all students, resident and non-resident, to the full-cost, non-Ohio-resident level. In return, the university sought and received authority to shift its total appropriation from the state of Ohio from campus operations to student scholarship aid, some of which would be distributed based on financial need and some based on merit and other factors.

Is the Miami University pricing policy, or some variation of it, a model to be followed in other states, or is it a short-term aberration to be avoided?

Colorado, likewise, is alive with pricing proposals. The university sought “enterprise” status that would

have given it authority to set tuition. Simultaneously the state of Colorado considered the elimination of all state support and the adoption of a voucher system, a proposal University of Colorado leaders supported. While different in some respects, the plans in Colorado and Miami of Ohio share similarities. Both involve raising tuition, while providing increased scholarship support to those lower-income students who really need the help.

In South Carolina the governor proposed a privatization plan under which public universities, if they wished, would have the option of becoming independent, foregoing state support. In the bargain, institutions would gain title to campus real estate and improvements if they promised to provide a “preferred” tuition rate for qualified South Carolina residents.

In Virginia, William and Mary, VPI and the University of Virginia backed legislation to create Commonwealth Chartered Colleges and Universities in an attempt to trade state support for greater independence from state control.

In Illinois, the state adopted legislation guaranteeing incoming students a relatively stable tuition level for the four years of undergraduate enrollment while giving institutions the implied nod to make needed and larger increases in tuition for each incoming freshmen class.

What is missing in these and other state-specific actions is any coherent context in which the implications and ramifications for society and for public higher education institutions can be probed. Can a more rational tuition pricing system be constructed that is at the same time more reliable, more efficient and equitable, more accessible to students from low-income families, and palatable for policymakers? We don’t know the answer, but what is obvious is that present efforts are piecemeal, fraught with risk, and lacking in context against which the public interest can be gauged.

III. Will a More Diversified Funding Base for Public Universities be Essential?

Whatever the social contract and pricing policies, the revenue stream for public universities and colleges is unlikely to revert to its earlier course. Even if the mutual obligations of the state and public universities



and colleges were crystal clear, even if public institutions were reborn and reformed, even if the attitudes of state policymakers were transformed, structural tensions among competing state obligations and revenue limits will remain.

What is the gap between current funding levels and those of 25 years ago? Kane and Orszag estimate that if the percentage of personal income devoted to public higher education in 1977 were to prevail today, state appropriations for public higher education would be about \$13 billion higher, roughly 20 percent above current levels. Regaining that lost ground is unlikely. And of greater concern, it appears that the diminishing role of state government funding will continue for the foreseeable future.

As a consequence, public institutions have diversified their funding base. While increased reliance on tuition income has been a prime mover, contributions from alumni and friends to public institutions have also increased significantly in recent decades. For major research universities, federal grant and contract support will continue to play an essential role. Corporate partnerships, economic development, the exploitation of intellectual property, and other economic development efforts must be a central and unapologetic part of any 21st-century strategy for public higher education.

On the other hand, the capacity of public universities and colleges to tap these several sources of revenue varies widely. What are the societal and institutional consequences and how should these be addressed?

IV. Is it Time for Governance Reform?

As the funding base of public universities and colleges has diversified, the accountability obligations of public universities have grown beyond the “state” to include donors, students and parents who pay an increasing share of the cost, business partners, the federal government and other stakeholders. Hopefully the interests of state government and those of these broader “publics” are compatible, but they are not always identical.

The governing structure of most public higher education institutions and systems was shaped in the

19th and 20th centuries when tuition was relatively low, private gifts were rare, and links with the federal government and the business community were modest. It was in this context that the state held all or nearly all of the seats on the “board of directors,” or governing board.

Times have changed. In addition to sizable academic operations, governing boards often oversee major self-supporting housing and food service operations, hospital complexes, athletic programs, economic development ventures, and a host of other operations involving billions of dollars and thousands of employees. The composition of most public governing boards falls short of these challenges.

Public governing boards tend to be relatively small— 7 to 12 members—with a range of talent and perspectives that may or may not align with those expanded responsibilities. Several key constituencies may have few or no seats at the board table. Students and parents pay for an increased share of the cost of higher education. Alumni, many of whom reside outside the state, are significant lifelong stakeholders. Private contributions from alumni and friends and partnerships with the federal government and corporations are increasingly important. Yet it is difficult to identify guardians and advocates of these interests around the tables of most public university governing boards.

Public college and university governing boards need to reflect the diversification in “publics” to which they must now be accountable and responsible. A fresh vision of public university governing structures, consistent with the public interest, consistent with the emergence of new stakeholders, and reflective of a clarified “state-public university partnership” or “social contract” needs to be crafted.

The very path to the public university board table is treacherous. Many governing boards are appointed by the governor and some are appointed by the state legislature. The quality of appointments varies widely.

A few public university governing boards are elected directly by public referendum to represent regions, or the state as a whole, but such systems are far from perfect, with the public largely unaware of candidate qualifications and performance and partisan politics close by.

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Corporate governance scandals and ethical lapses in recent years have placed the spotlight on governance reform in publicly held companies. Federal laws such as Sarbanes-Oxley, and tougher regulations issued by the New York Stock Exchange, not to mention the weight of public opinion, have placed a premium on director independence, avoidance of conflicts

of interest, and greater transparency and stakeholder accountability.

No comparable wave of reform has touched public higher education.

Who are the shareholders and stakeholders of public universities? Where are the lines of accountability and responsibility? What about independence, conflicts of interest, and stakeholder accountability?

Short of radical “privatization,” and within the spirit of Sarbanes-Oxley, the governing structures of public universities and colleges need to be reexamined and reformed. Size of governing boards needs to be increased. Sources of appointment or election must be diversified. A single governor, a single legislative committee, a single party caucus, should no longer control the composition of public university governing boards. Alumni, donors, the business community, agriculture, and other segments of society should be more directly and independently represented than they are at present.

National Dialogue for Stronger Future

In order to create a stronger future for public higher education we must clarify the social contract, create a more rational pricing policy, diversify the financial base, and reform governance structures in the spirit of Sarbanes-Oxley. Some will say this path is too ambitious. Others will argue the agenda misses the need for internal academic reform, for public universities to focus more sharply on core priorities, to increase efficiency and contain costs, to become more accountable and engaged. Such criticisms may be on target. For independent and public institutions alike there is an unrelenting demand for transformation and reform.

In the end, the issue is not just about the future of public higher education, but about what affordable education can provide. Given the changing nature of the society and the economy, public universities in the United States are a crucial and indispensable means toward more compelling

ends: a healthy, vital democratic society; satisfying, meaningful life-chances for citizens; and survival in a rapidly changing, increasingly competitive and uncertain world.

It is an unthinkable mistake for society to take the future of public higher education for granted. To lose public colleges and universities, even to diminish them, is unacceptable. As the *New York Times* recently editorialized, public universities and colleges in the United States have “moved entire generations into the middle class and beyond....”

Still, there is reason for concern for the future of public higher education in this country. Institutions, missions, policies and programs are shifting in response to powerful forces and the implications remain largely unexamined.

A national dialogue is needed. The barriers separating state policymakers, business and civic leaders, academics and the public at large must be broken down and a conversation on the future of public higher education begun. Piecemeal, campus-by-campus, state-by-state solutions may be inevitable in the U.S. system, and sometimes arguably even desirable. The absence of a national dialogue, however, gives us little assurance the future for society and for higher education will be all it needs to be. ■



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