

Great Public Universities and America's Future
The Bazzani Lecture, University of Illinois
Stanley O. Ikenberry, President
Union League Club, Chicago Illinois
May 6, 2010

Concern over the future of public higher education in the United States is not new but it has morphed into outright "worry." The warning signs go back decades, marked by a mostly gradual but sustained weakening in state government support for public colleges and universities.

The compensating reaction by institutions has been to raise tuition, driving up the price of attending college faster than inflation and family income. In spite of increased dollars for student aid, questions of affordability and equity of access grow and the implications for individuals, communities, the economy and our democracy mount.

Scholarly books and papers and endless speeches and conferences, including this one, have grappled with the underlying issues, understanding that given the nature of the knowledge economy and America's changing role in the global marketplace our nation won't have a bright future absent the great public universities that evolved and thrived in America over the last century.

The Great Recession in which our country finds itself has amplified the rhetoric and given rise to the ultimate question: Is the model of the great public university in America broken, or if not broken, is it sustainable? And more important, if the model is under threat, what can be done? Where are the solutions?

It is the search for solutions, or at least the need for mid-course corrections and adjustments, that I will address in my comments.

Privatization of Great Public Universities

"*Privatization*" is the term most often used to characterize the changing relationship between states and public universities. State support has declined by almost every measure:

- as a fraction of the overall state budget (in Illinois it declined from around 13% when I arrived in '79 to 9% now);

- as a percentage of the university's operating budget (for Illinois and Michigan, for example, it declined from nearly half some decades ago to roughly 17 % for Illinois and to less than 9% for Michigan); and,
- on a per student basis, over the last eight years the state subsidy for University of Illinois undergraduate students declined almost 20 percent, from \$5,500 in 2002 to \$4,601 last year. Next year it will drop further.

Prior to the current crisis it seemed to me characterization of these trends as "privatization" was a bit overdrawn and more like a cry of anguish from public university presidents raising the alarm. More recently, however, with the virtual collapse of the financial underpinning of states such as California, Illinois, Michigan and others, characterization of the current state of affairs as "privatization" seems less extreme.

Mark Yudof, president of the University of California, framed the argument in slightly different language. In recent speeches he talked about "sustainability" and the question of whether the historic business model on which the modern public university has evolved is any longer feasible.

Across the country there have been draconian cuts in state support for public universities. In Illinois there is the humiliating specter of the State's actual inability to pay the appropriation as passed by the legislature and signed by the Governor.

Last June 30 - the end of the fiscal year - the State still owed the University \$120 million. By the end of the calendar year the unpaid balance had ballooned to over \$400 million and it has remained more or less at that level ever since.

How are public universities responding? At the beginning of this year the University of California absorbed a 20% cut in support from the state and responded with a 30% hike in tuition, massive layoffs, budget cuts, furlough days and program cuts. The tuition response in Illinois was more muted because our threat is more ambiguous. But we too cut budgets, enacted furloughs, instituted hiring freezes and took other measures to conserve cash and cut costs.

The general pattern of shortfalls in state support and tuition increases is not new. When I arrived at the University of Illinois three decades ago tuition for Illinois residents was roughly \$700 per semester. For some of our students now it is now closer to \$7,000, and rising. Student aid has gone up – from government as well as the University but financial aid almost never keeps up.

Questions of Sustainability

As a consequence of these trends -- erosion of state support and escalation of tuition -- the public university funding model has come under increasing strain. Whether measured against inflation, or as a fraction of average family income, or against almost any marker, sending a child to college has become a costly decision. The strain became more obvious during a decade in which average family income in American actually declined.

Many assumed the cycle of state cuts and tuition increases could continue for some time because the demand to go to college was so strong. Elasticity, it was called. Yes, access was being squeezed, but tuition at public universities was lower than their private counterparts and lower than the option of attending a public university in another state.

Earlier assumptions of elasticity in tuition pricing deserve more careful examination. Market pressures may be operating in new ways as family income growth stagnates and the public/private, resident/non-resident tuition differentials narrow.

Southern Illinois University, for example, recently announced it would not increase tuition this year in spite of an almost certain cut in state support and in spite of the fact that less than half of this year's appropriation had actually been received.

On the other hand, SIU had to confront the reality that a tuition increase might trigger further enrollment declines. Illinois residents who might have enrolled at SIU were being recruited by universities in neighboring states - public and private - offering the same or lower tuition.

I recently spoke with the president of a small private college in Chicago and she reported her current tuition was roughly \$25,000. But she also noted they offered an average discount of around \$12,000. In other words, the net tuition on her campus was around \$13,000 per year, not greatly different from that at Illinois public universities.

Competition is healthy and to be welcomed. But competition -- market realities -- may constrain tuition increases for some campuses and make it more difficult to counter state budget cuts with above inflation tuition changes. Coupled with the erosion of access and the rising public anxiety over escalating college costs, one is brought face to face with Mark Vudof's question of the long-term sustainability of the public university business model.

Jim Duderstadt, our colleague and former president of the University of Michigan, coined the now famous line that Michigan began as a state university; but support from the state declined and Michigan became a state assisted university. It dropped even further and Michigan became state related; and finally things got so bad the University of Michigan became "*state located*."

The great public universities of America are not likely to relocate, but the question is: are they sustainable, as "public" universities? And if not, what are the ramifications? Will quality slide? Will access narrow? And what are the consequences for families, communities, job creation, quality of life and the future of the country?

Earl Lewis, Provost at Emory University and former academic leader at Michigan, has likened the modern public university to the Beauty and the Beast. The Beauty of the great public university promises hope, economic security, quality of life, innovation, creativity, and all that is beautiful. The Beast, he suggested, is our growing cost, our perceived elitism, the appearance of privilege and self-centeredness, and a slowness to adapt to changing circumstances.

It is the tension between the Beauty and the Beast in American higher education that is driving a wedge between our public universities and the American public. And that wedge, to the extent it grows, will exacerbate our underlying problems.

Search for Solutions

So, if the business model of public universities is no longer sustainable, how can we respond? What adaptations are needed? What is possible? Where do we begin?

First, we can't give up on the income side of the ledger. I see at least four possibilities.

1. The first involves rethinking national policy and the role of the federal government.

As it grappled with problems of sustainability, some at the University of California have suggested the loss of state support might be replaced with federal dollars. Berkley's chancellor suggested the possibility that a small cluster of the great public universities -- Berkley, Michigan, Illinois and a few others -- in the national interest - be singled out for federal support: The national trade association of public research universities - the Association of Public and Land Grant Universities--- is holding a series of regional dialogues around the country exploring possibilities of general support from the federal government for a larger cross section of public

research universities.

Realistically, what are the prospects of this substitution solution, expanding the federal role? The national interest is clear but the federal budget deficit is real. Politically, however, the idea of singling out a handful of public universities for preferential treatment, no matter how meritorious, may be a non-starter.

I do, however, see an opportunity to rethink the role of the federal government in other ways. Already leading public universities receive substantial federal support for research through NIH, NSF, DOE and other federal agencies. We do quite well in these merit based, peer reviewed competitions. This year federal support at the University of Illinois surpassed that of the state and it is likely to grow.

As public universities expand federal research funding, however, we must confront the reality that the full costs of federally funded research are almost never covered by the grant award. "Cost sharing" comes in many forms, some direct and explicit and some hidden and unrecognized.

National science policy needs to be changed to more fully cover the costs of federal research investment. If the public university business model is to be sustainable, we cannot expect tuition from undergraduate students to pick up the slack created by less than full funding of federal research programs.

Put another way, if there is to be an expanded federal role in funding major public research universities, and if it is to be politically feasible, federal support must be linked to federal research investment and the national interest, not to some new form of general institutional aid.

2. But what about the states? As we look to the federal government we can't give up on state support for public universities. We must re-engage our alumni and friends as our advocates.

State funding for higher education is seen a discretionary. Demands from Medicaid, prisons and other functions are growing, and universities find themselves in the squeeze. Such has been the history of recent decades. We need to take a fresh look at the way we go about making our case for state funding and building public support.

David Brooks, New York Times columnist, recently quoted British writer Phillip Blond who argues that over the last generation we witnessed two revolutions, a liberation of the individual and a decimation of local association. One could argue that

support for great public universities has been a casualty of that decimation. The society has become atomized, Brooks argues.

The great public universities of America, on the other hand, have a unique capacity to reconnect and reintegrate the society. Our alumni come in every stripe - Republicans and Democrats; young and old; inner city, suburban, rural; doctors, judges, farmers, business leaders, public officials, engineers, social workers, entrepreneurs; every race, every religion; every interest.

The alumni and friends of public universities are not fully representative of the broader public, but they are a rough approximation. More important, they tend to share a value system that celebrates access, equality of opportunity, achievement, merit and academic excellence. They are educated. And they tend to vote.

In a world in which communication is easier, quicker and cheaper than we could ever have imagined, we need to be more creative and proactive in reaching out and building a stronger sense of community with those who care about us. As we do so we not only help save great public universities, we help heal the fragmented society of which we are a part.

3. A third possibility lies in greater transparency. We must make the link between state funding for higher education and the consequences of cuts more transparent.

When state funding goes down, tuition tends to go up, but the link between the two is not obvious to the public, in part because we do our very best to mask the damage. I am not advocating a "close the Washington Monument" strategy, but I am suggesting we be more transparent about what state support does or does not buy for the public.

One example: Miami University in Ohio for a brief period experimented with a radically different approach in managing its state appropriation. Miami increased tuition to cover the full cost of education and used the state appropriation as scholarships. The argument was that it would help citizens better understand the full cost of education at Miami and understand what state tax dollars were buying. Miami dropped the experiment fairly quickly, but we might ask, were they on to something?

Decades ago the late Clark Kerr argued that federal support for higher education should be linked to students rather than institutions. He believed political support from thousands of students and families was more powerful than pleas from university presidents and institutions. University presidents at the time disagreed, but Kerr won.

In contrast to decades of decline in state support, federal investment in student aid -- Pell grants and subsidized and guaranteed loans and the like -- has grown. Again: Is there a lesson?

Another aspect of transparency is the question of who pays for what.

As income from tuition income surpasses state funds in our base and as our programs and operations become more diverse, public research universities are going to face the question: Who is paying for what? Illinois and Michigan, for example, both operate large university hospitals. Ours requires public subsidy. As a Land Grant university we have cooperative extension and other public service initiatives. We both have extensive research programs, institutes and centers, and graduate programs that are not self supporting.

Who is paying for what? By and large, public universities have not been eager to confront the "cross subsidy" question, but if we want to slow the erosion of state funding we will need to offer more transparency if we are to make our case.

4. Most often the answer to declines in state funding is more attention to private giving.

Michigan started early and now has one of the largest endowments of any public university in the United States. Illinois lags but we have made progress as well. Thirty years ago I launched our first capital campaign to raise \$100 million, a big number we thought at the time. We met and exceeded that modest goal and shortly launched a second campaign for over a billion dollars. We're now closing a third campaign for over \$2.25 billion.

Public universities can do even better raising private money; and we can do it more efficiently. But it is overly optimistic to think that more private giving, alone, will mend the business model. Gifts from alumni and friends help, but last year alone the University of California lost more in state support in one year than it received in private donations. Metrics of that magnitude do threaten the model.

One thing we can do in fund raising is to shift the focus of our campaigns and appeals for donor support away from mega building projects and exotic programs and toward endowed chairs, professorships, need-based scholarships and other priorities closer to the academic core of the enterprise.

So, as we ask what can be done to mend the model that sustains great public universities in America there are a number of things that can be done.

- Federal policy can be more responsive;
- We can be more imaginative in building support from those who care about us;
- We must be more transparent and help the policy makers and the public understand who is paying for what.
- And we can sharpen our approach and priorities in private fund raising.

Looking Within

Having done these things, however, the public university of the future will not be sustainable unless it changes from within. And in the end, change from within will prove to be our most formidable challenge.

Abraham Flexner, father of modern medical education, observed, "a university, like all other human institutions - like the church, like governments, like philanthropic organizations - is not outside but inside the general social fabric of a given era...It is...an expression of an age, as well as an influence operating upon both present and future."

The era that shaped the great public university over the last century -- that created the agricultural, industrial and information revolutions - has changed once again. Put another way, public research universities are being challenged to adapt to a new era at least partly of their own making.

Bart Giamatti is known for many sage comments. One I love is his quote: "The job of a university president is a terrible way for an adult to earn a living." But he offered another observation when he said: "Of all the threats to the institution, the most dangerous come from within. Not the least among them is the smugness that believes the institution's value is so self-evident that it no longer needs explication, its mission is so manifest that it no longer requires definition and articulation."

We may or may not be smug, but too often we appear complacent, captured by cultures and approaches to teaching and learning not greatly changed from a century ago.

Highly selective public universities such as Michigan and Illinois for example, attract the cream of the crop, well prepared students who come to us knowing a great deal. They have a rich capacity to grow. They are technologically sophisticated, a computer in their backpack, a smart phone in their hand.

Too often we fail to harness that talent and challenge undergraduate and graduate students as we might. We organize teaching and learning drawing on the models of the past, ignoring the possibilities of the present.

Nick Burbules, my Illinois colleague, recently noted that “it’s challenge for formal institutions to rethink the ways we do things - our teaching structures, our motivational philosophies. Young people especially are using these new technologies in really new ways that we need to catch up with.”

Many of us know the work of Carol Twigg who has worked with Illinois and Michigan and many other great public universities over the years to rethink and revolutionize the way we go about teaching and learning. The approaches are varied but the aim is the same: Redesign the processes of teaching and learning in ways that improve the quality of outcomes for students, use faculty talents more wisely and capitalize on the mindboggling developments in communication and information technology born on our campuses. Many campuses are responding. Exciting experiments can be found; great things are going on.

But too often efforts are piecemeal, fragmented, layered and transitory. Put another way, too often they are not sustainable. Moreover, these so-called experiments often fail to confront a central issue: Given the sustainability challenges described earlier, the most fundamental change that needs to be made in the model is to find ways to improve quality and safeguard access while at the same time reigning in costs.

In many ways, health care faces the same challenge. But if we expect to fix the public university model and make it sustainable by working on the income side alone, we will set ourselves up for failure.

We must adapt to a new era and use the tools and possibilities it offers to rethink and redesign the teaching learning environment.

Change is difficult in large complex organizations but change is especially difficult in highly decentralized academic institutions. For the most part each faculty member decides what is taught, how it is taught, and sets expectations for students. This variety and decentralization is our strength but at the same time it is our weakness. If the model of the great public university is to be repaired and made sustainable we must change from within, streamlining administrative processes but also taking a more systemic approach to the core functions of teaching and learning, especially the handful of courses and experiences shared by large numbers of our undergraduate students.

We should respectfully retire the large lecture hall of the earlier era, use faculty members and technology more creatively and humanly, and empower students to reach their highest potential.

We can do better.

In his book *The Great American University*, Jonathan Cole observed that Americans seem to take the quality of their great universities for granted, unaware of what makes them so distinguished.

Great public universities are America's treasure, our comparative advantage, our hope for freedom and opportunity, the foundation of democracy. Along with the public, academics too can be complacent. In this sense, those who raise the questions of sustainability do us a favor.

We will survive, but we must survive as *public* universities, accessible, affordable, impactful, accomplished and adapted to the fundamentally new era in which we live. To do that the model and assumptions that served us well over the last century will need to be rethought and reshaped for the next.