

Why FY10 Could Be the Tipping Point for Public Higher Education

by John C. Cavanaugh

Each of us has our own interpretation of the saying (or curse, as some would say), “May you live in interesting times.” Leading public universities and higher education systems these days is interesting indeed. To many of those on the outside looking in, fed largely by inattention, higher education is little more than a bloated, inefficient bureaucracy with low productivity that is resistant to change. Therefore, the economic downturn is viewed as an opportunity to force reform. Fueling this argument is the media-fed belief that public universities essentially profit-monger on the backs of students and their families. Public universities are accused of flagrantly disregarding the Consumer Price Index and ignoring the fact that wages for the typical family have increased at a rate far lower than tuitions have increased.

For those of us who have been living and working in public higher education for the past few decades, though, the current economic downturn is but the latest, albeit most severe, period of inexorable declining state financial support—giving new meaning to the maxim “death by a thousand cuts.” Becoming efficient is not the issue. Surviving as quality institutions is.


With FY10 we are not just dealing with tweaking the numbers of students in class sections. We are confronting the real possibility that unprecedented defunding of public higher education may reduce it to little more than a commodity. In this scenario, an undergraduate degree from a public university results from a production line on which 120 or so credits are assembled and obtained in classes presented by faculty as cheaply as possible.

The beginnings of commoditization in public universities, especially master’s institutions, is supported by data in the recent *Delta Project* report that shows that public master’s institutions have experienced declining resources for years. For example, in Pennsylvania, the State System of Higher Education (PASSHE, comprised of 14 universities) has experienced a 23 percent reduction in E&G state appropriations per student since FY98 (in inflation adjusted dollars).

Contrary to media portrayals, tuition increases at public master’s institutions have largely reflected revenue substitutions for lost state appropriations—a fact documented in the *Delta Project* report. A little known fact is that for many institutions, such as the 14 in the PASSHE system, tuition increases have not kept up with appropriations cuts, resulting in a net decrease in revenue per student once state appropriations and tuition are combined.

Why is this important? Because the funding reductions most of us are facing today and for FY10 are coming on top of years of cuts and cost reductions. That means that the easy and usual places to make expenditure reductions (e.g., energy conservation, business process redesign, holding positions vacant) that are advocated by those pushing for increased efficiency have already been done. Collectively, we have eliminated billions of dollars in costs as a result of better management and evaporated public funding (PASSHE alone has eliminated roughly \$200 million in costs this decade). This needs to be recognized, and universities need to be given credit for their cost reduction and efficiency accomplishments. In addition, the *Delta Project* does not take into consideration the hundreds of billions of dollars in economic development impact public higher education institutions make, which have, in turn, generated billions in state and local revenue through taxes.

Incredibly, public universities have done all this while simultaneously adopting unprecedented standards of accountability and transparency that many private corporations would not tolerate (as evidence of this point, consider the financial sector’s unwillingness to provide transparent accountability for the hundreds of billions of dollars of public money they were provided as bailouts. In public higher education, that stance would not be permitted).

FY10 will be a watershed for public higher education. It could be the year that all of the progress we have made in reducing costs and changing the way we operate finally gets recognized and that the tuition-for-state-appropriations revenue swap is fully acknowledged. Even if no significant funding increases are forthcoming, these recognitions would be major progress. Or FY10 could be the tipping point in the demise of public higher education as we know it, with no recognition of or worse, the dismissal of our progress, resulting in the creation of a permanent higher education have-not sector as envisioned (and feared) in the *Delta Project* report. We have much work to do. 

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