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Our Universities: Money and the Big Picture

Walter V. Wendler
Southern Illinois University Carbondale, wendler@siu.edu

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Seventh and final in a series on state funding for higher education

Value in higher education will make more thoughtful and careful students out of those in attendance. People will be asking why ever more frequently. Leadership better have good answers. Purpose will trump price, little or great, when institutions meet the real needs of students.

Whither thou goest, America, in thy shiny car in the night?

-Jack Kerouac (1922-1969), On the Road, 1957

The State Higher Education Finance FY 2010, produced by the State Higher Education Executive Officers (SHEEO), deserves a careful review by those interested in higher education and its workings.

A few valuable highlights from the document suggest difficult times are not going to disappear, and will require significant adjustment in how universities serve students, how the state funds them, and the relationship of their mission to the greater social order.

Between 1985 and 2005 the total contributions of all states to higher education increased from less than $30 billion to approximately $90 billion. While the states are confronted with cries of *"you are letting us down,"* these numbers do not indicate that funding is going down, just that it's not keeping up with our rising desire for both the individual and societal fruits of education.

Since Congress approved their use on February 17, 2009, the American Recovery and Reinvestment Act (ARRA) funds have been used like fingers in a dike. Beginning in 2008, federal ARRA funds have been used to offset declines in state appropriations of almost $10 billion. This life support has gone to institutions regardless of their willingness or ability to address the changing demands of students, families, statehouses and employers.

Public school tuition and fees account for about 34% of all operating budgets. Some prestigious research universities receive less than 10% of their operating funds from state coffers. These universities justify the cost of what they do through the value they create and find other sources of revenue to help them accomplish their missions. Managing reputation and defining new markets are the sine qua non of 21st century university leadership. Without attending to these, the university cannot survive.

Most state money, about 85%, goes to general education expenses, teaching and support of students. The balance goes to political projects and special assignments taken on by universities that benefit students directly through associated learning opportunities, and indirectly through infusing cash into the institution.

The total dollar amount supporting students has risen over this time frame, but in the last 3 or 4 years, the numbers of students have increased at most institutions causing the per capita support to drop precipitously to levels equivalent to about 25 years ago.

This situation was predictable. When the economy is weak more people go to school. This is a sensible economic response to an existing set of circumstances over which students have little control.

Tuition has increased rapidly to offset the drop in state funding, and some students are beginning to justifiably question whether the value of a university education justifies the price.

Tuition increases have had a profound impact on student access to universities. Some universities, because of their ability to attract additional resources, have become what are referred to as high cost/high aid institutions. Such institutions are able to admit high-quality, low-income students because they can offer scholarships and grants and more importantly, these students represent an investment in the university's future reputation.

Making boogey men out of those who raise tuition and fees, and simultaneously create aid opportunities, may be a mistake. Blaming statehouses for current higher education financial woes brings immediate and short lived justification and relief, but earns an "F" in leadership response.

University leaders who spend the bulk of their time raising funds are not neglecting their university responsibilities. They are prioritizing survival. They are serving their institutions.

The marketplace is only one player in education finance. Enlightened states invest in their economies by contributing to educational opportunity. The most "tuned-in" university leaders assist state and local government in fostering the economic development that leads to increased tax revenues, some of which can be directed back to higher education.

University leadership can address the falling fortunes of the states and their populations by staying focused on mission, helping each student discover and prepare for his or her future role in both the economy and the greater society.