Affordability, Accessibility and Changing Funding Models in Higher Education

Organized into three sections: Problem, consequences, solutions

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The problem

Trends: Budgets

- Higher education—as one of the largest discretionary components in state budgets—is being squeezed
  - K-12, pensions/benefits, incarceration, Medicaid
- Public universities increasingly dependent on tuition, fees, auxiliary income, philanthropy
  - Philanthropy is a long-run gain
- Magnitudes of the cuts outpace tuition increase capacity
  - Leading to suboptimal responses—such as reducing support staff—cutting off nose to spite face—because it is one of few discretionary categories in the short run

Framed by Partial myths

- The partial myth of administrative bloat
  - Student affairs, regulation
- The partial myth of non-teaching
- The partial myth of the student debt crisis
  - Median debt of students who take loans to study in non-profit 4 year colleges
- The partial myth of weak ROI
  - Returns to a bachelor’s degree are high, irrespective of discipline
  - Coupled with the failure to understand opportunity cost
- The partial myth of galloping costs
  - The failure to understanding the varying technology of different industries
- The partial myth of higher education as a private good
- The partial myth of research as a revenue source
• Public universities...
  o ...and here I will use “public” to reference large-scale universities in which access and affordability, and attention to diversity at scale, are key underlying values...
  o ...provide higher education...that...
    ▪ Provides our citizens with the knowledge and skills to be productive and engaged, and reach their human potential;
    ▪ Expands the scope of human knowledge and helps solve societal problems;
    ▪ Contributes a build a just and equitable society.
  o And we provide that education to 8 out of 10 post-secondary students in the US.
  o The scale of public higher education is important here
    ▪ Reach and impact;
    ▪ By mid-century, projections suggest 65 percent of jobs created will require a post-secondary degree at some level;
    ▪ If you look at current post-secondary attainment rates, as a society we’re a long way from educating the numbers we’ll need to fill those jobs;
    • Thriving public universities are a civic and economic necessity.
• Public research universities—and specifically those that are committed to a true marriage of research, teaching and engagement—play a critical role in the US science and research enterprise.

  ○ One of the greatest economic success stories in US history is the highly synergistic relationship between the federal research enterprise, public research universities like this one, and industry.

  ○ Some of the biggest challenges we face as a society...
    ▪ Climate change
    ▪ Energy
    ▪ Food security
    ▪ The rising cost and inaccessibility of health care
    ▪ Pick your challenge...

  ○ ...require more than scientific and technical solutions
    ▪ The challenges are often as much behavioral and ethical, as they are technical;
    ▪ They require scientific, behavioral, humanistic and artistic inquiry—in increasingly innovative combinations of disciplinary expertise and epistemologies.

  ○ What other institution in our society is capable of tackling such challenges—bringing to bear science, social science, engineering, humanities, and arts—at the scale of the public research university?
The (vanishing) American Dream

Public research universities are a key solution to rising problem of the vanishing American dream for a significant cross-section of our population.

Here’s a scary fact:

- We know that low socioeconomic status students complete a bachelor’s degree or higher at dramatically lower rates than high SES students.
- Good longitudinal studies of postsecondary attainment show that the rate differences are due neither to expectations nor ability.
- Some of these studies are described very well in William Bowen and Michael McPherson’s recent book, Lesson Plan.

  - One study finds that 59 percent of HS sophomores in the lowest income quartile expect to complete a bachelor’s degree...

    ...but only 14 percent of those students succeed in doing so—a 45 percent gap in expectations versus accomplishment.

  - Low SES students scoring the highest quartile for math proficiency complete college at significantly lower rates than middle performing students in the highest SES quartile.

Couple these trends with what we know about rising income inequality and stagnating mobility and it is hard to make a claim of the “American Dream” for a wide swath of the American people.

These trends are contributing to eroding support by the public for universities, as the public does not see higher education as a solution available to all.
What must we do?

• Defend the public research university mission vigorously, eloquently and without apology
• Educate: Faculty/staff, students, elected officials, the public
• Not lose sight of that public (land-grant, if you like) mission even as public taxpayer support erodes
• Do not confuse ourselves about the important “publicness” of what we do
• Move proactively to undertake the institutional change necessary to adjust.
  • A delicate political balance...
Budget “models”—a digression?

• Many universities are struggling to introduce the change necessary to adjust

• High net revenue programs are pressuring administrators about low net revenue programs
  • Understanding of net revenue is deeply confused

• Much fixation around algorithms...distribution formulae
  • Invariably with assumption everyone will gain
  • Historical, RCM, modified RCM, discretionary, etc.
Things to think about

• The challenge is as much strategy as budget
  • If you’re a business, and your market has shifted dramatically, you don’t reapportion the spending pie as a first step, you re-examine the pie you baked in light of changing needs, palates and appetites

• Strategy is about diagnosis, frameworks for taking actions, and actions
  • Diagnoses need to be subject to scrutiny
  • Transparency is key to getting it right

• Problems in allocation are typically threefold
  • The model itself—the algorithm
  • The information systems
  • The practices

   *This is why, when serving as provost at Illinois, I always referred to “budgeting reform”...not “budget reform”*

• Our own community is as prone to mythology as the broader public
  • Unit myths (department X as a revenue generator, department X as suffering “serial cuts” when driver is actually falling enrollments and revenue decline)

• We’re highly selective in our histories
  • The myths of faculty size (“we used to have 15 faculty, now we have 12” while ignoring uncomfortable fact of falling enrollments)

• Our practices are deep-seated
  • We’re better accountants than budgeters
  • Information is a deeply attractive form of control

  • Our systems haven’t adjusted
    • Low tuition/low aid --- high tuition/low aid --- high tuition/high aid
    • Then we manage aid badly

• “Re-engineering solutions” capture the imagination more than fixes in systems and practices, and provision of training
Read three books, in tandem

• Stefan Collini: *What are Universities For?*

• Bill Bowen and Michael McPherson: *Lesson Plan: An Agenda for Change in Higher Education*

• James Kwak: *Economism*
Closing

• Many reasons why planners are well situated to lead. Step up!
• We have a long way to go before we should fear defeat...do not lose your nerve! We’re damned lucky to be professors.
• Faculties are extraordinarily responsive to a candid approach.
  • We’re in this together...bring them in!
• This is an incredibly important challenge. Take pride in your willingness to take it on. Build your skills. Build your networks. Don’t apologize for being an administrator.
• This is an incredibly exciting time in higher education: 1) students are motivated to solve big problems; they are craving authenticity and action; 2) we’re better than ever at outreach, entrepreneurship, engagement; 3) grand challenges require what we can contribute uniquely—multiple disciplines, infrastructure.
• Thank you. And best of luck in your leadership roles.