

## The Privatization of Public Higher Education

*By Bill Hobby*

Public support for higher education is declining all over the country. In state after state appropriations are going down. Tuition is going up. Fewer black or brown high school graduates can afford to go to college.

Last year The Chronicle of Higher Education reported (in an article called “The Fall of the Flagships) that the University of Texas at Austin and Texas A&M University barely made the US News & World Report top fifty.

Mark Yudof, Chancellor of the University of Texas System, recently wrote an article for The Chronicle asking “Is The Public Research University Dead?”

In other words, is higher education still a “public good”? Certainly people with college degrees do better than those without. The pressure on the public purse is certainly not greater now than it was in the 19th century. So why is education not funded more generously? The answer, I think, goes back to Plato’s concerns about democracy. We are now more of a democracy and less of a republic. The political clamor to take care of OUR needs NOW makes investment in the future very difficult and, of course, education is investment in the future. A society can spend all its resources on alleviating poverty, improving health care, and cleaning up the environment, in resolving the human problems of NOW, and invest nothing in the future. It goes back to the – What has posterity ever done for me? -- philosophy. Education, and in particular, higher education, has a weak lobby. We can be proud of our humane society but how much “humanity” can we afford without prejudicing the future?

A university degree is worth a lot of money. It can be the difference between a reasonably prosperous style of life and a poor one. Virtually all legislators are college graduates, yet higher and secondary education are being starved.

Let's talk about prestige first. How do we measure it? Or should we?

US News & World Report works the hardest at it. Their rankings are eagerly awaited, and then praised by the winners and criticized by the losers. The bragging rights have value for use with alumni, regents, legislators, and donors. In a way, universities are like political candidates who find fund-raising easier when a good poll has just come out. If the poll was bad, well—the sample was biased, or the questions were badly worded, or there must have been a computer error. But the “prestige” issue is really a remnant of elitism or classism that, as a nation, we cannot shake. The early colleges were for the rich, powerful and connected. There was a class expectation that sons (rarely daughters) would follow fathers to Virginia, Harvard and Yale. Virtually no sons of the poor or the working class went to college.

These early institutions had nearly a two-hundred-year head start to create the mindset of “prestige” as it relates to higher education and much of those early perceptions remain today. Colleges that catered to the “ruling class”, the elite, were prestigious.

In the mid-19th century things began to change. The immigrant population was growing and becoming successful. They wanted educational opportunities for their children to become doctors and lawyers. They formed Boston College and Fordham and City College of New York that became, over time, fine institutions but they were not the elite.

Outside of the northeast large land-grant institutions were created and other state universities developed to meet the increasing demand for higher education. These institutions tended to focus more on the practical aspects of an education: pre-med, engineering, agriculture, teaching, etc. In states that had less

of a tradition of elite private education, the Midwest and west coast, public institutions were quicker to develop strong local reputations

.The best law the United States Congress ever passed was the GI Bill of Rights. It remade higher education and, more importantly, the nation. Public universities got a boost when the GI bill went into effect after WWII and created a great demand for admissions. Soon the measure of prestige became a combination of the old: who went there, and selectivity, how hard it is to get in. That is pretty much the model we have now, with wealth as an important addition. As demand continued to grow with the baby boomers (and now their echo) and a tremendous increase in the percentage of students seeking a college education, reputation, money and demand became the underpinnings of prestige—money being among the strongest. If you look at many of the parameters used by the US News, many of them are tied to institutional wealth

A few state institutions were able to come out of the pack. Virginia, Michigan, Berkeley, and North Carolina come to mind and were seen as prestigious. They were referred to as the “public ivies”----that benchmark had not changed.

This was not all bad. Certainly the ivies are great educational institutions and to have them set the standard cannot be a bad thing. But the world we live in is much different from the times of the founding of these institutions and our higher education needs are much greater. Then, a few leaders in government, commerce and religion could guide the efforts of a young country. Now a large and highly educated citizenry is necessary to the future health of our country. Instead of a few hundred collegians, we have three to four million enrolled in higher education, and eighty percent of these are enrolled in public institutions. Is it time to rethink our notions of quality and prestige? At least we should reduce the emphasis on old style prestige and focus more on updated measures of quality.

#### STATE FUNDED VS INDEPENDENT

Distinctions are shifting between public and private institutions. Early on state universities and colleges received nearly all of their operating dollars from tax dollars with little coming from students or gifts. Private institutions were dependent on tuition dollars, benefactors or “contributed service”: priests and nuns. Now, the independent institutions have more and more public dollars through federal student aid, state subsidies, grants and contracts. At the same time, the enrollment growth in public universities and colleges exceeds the ability of states to continue high levels of support, resulting in a shift of costs to the students and a new reliance on gifts, grants, contracts, and various business functions. I am sure there are some independent intuitions that receive a larger percent of their annual budget from tax dollars than some public universities. The perception is that state institutions are highly subsidized from tax dollars but that is no longer the case. Important differences remain between the publics and the privates but they are more in governance than fiscal.

Interestingly enough there seems to be a reverse correlation among the publics in terms of percent of state funding and prestige. This is largely due to the fact that public institutions with very low reliance on state dollars tend to have large endowments and successful competition for grants and contracts.

For example, the University of Michigan gets only ten percent of its budget from appropriated funds. UVA gets only thirteen.

#### GOVERNANCE AND AUTONOMY

The greatest difference between independent and public institutions of higher education falls in the area of governance and autonomy. The independents have a great advantage here. Trustees of independent institutions see themselves as advocates of the college, supporters of its president and leaders in fundraising. Public board members see themselves as overseers. They are the representatives of the appointing authority, usually the governor of the state, and occasionally interfere in educational and social

policy matters. The attempt of the Trustees of the State University of New York to dictate content of general education requirements at component institutions is a recent example. Public Trustees often have the responsibility for more than one institution in a system and don't see themselves as advocates or donors to any of them.

Legislative control of budgets, statewide control of programming and physical plants, tuition setting authority at the state level, enrollment caps, collective bargaining agreements and much more constitute the list of differences in autonomy between the publics and the privates, with the privates coming out the winner in most cases. The recent decision of the Texas legislature to give tuition authority to the institutions and their boards is an exception. Of course it remains to be seen whether or not will further reduce appropriations as tuition rises.

## DECLINING TAX SUPPORT

Through all of this we are witnessing a dramatic reduction in public support for higher education in both sectors and a shift of the burden to students and their families. Smaller and less prestigious, private schools often are totally dependent on tuition for their annual operating budgets, which affects their admissions and retention policies and threatens to price them out of the market.

Fiscal strategies that encouraged the previously excluded—the poor and minorities—to attend college no longer have the support they once did. Texas, for example, has—or had—a tuition pre-payment program called Texas 2000. Diana and I bought prepayment packages for all our grandchildren—the best investment we ever made. That program has now been suspended because of unprecedented tuition increases. The shift in support from grants to loans, along with the large increases in tuition, and fees at all institutions place a financial burden that may frighten away those students who are the first in their families to seek a college education. The current proposal to raise the federal cap on loans for undergraduate education from \$22.6K to \$30K will scare people off. How many kids in Laredo will want to go \$30K in debt to become school teachers earning \$24K? This may bring a return to classism, which cannot be a good thing for this nation. Those who will be excluded from college, due to unwise fiscal policies, represent the growth sectors of our society, the base needed to ensure an educated workforce in the future. If affordable educational opportunities decline, workers will be imported, or work will be exported. Neither action bodes well for the good of our country.

*(I am indebted to many friends, present and former university presidents, for their thoughts which I have included in this lecture: Jerry Supple, former president of the Southwest Texas State University; Peter Flawn, former president of the University of Texas at Austin (twice), Malcolm Gillis, President, Rice University; Ken Ashworth, former commissioner of higher education, Texas; and Art Smith, former chancellor, University of Houston System. The errors, and anything else you don't like, are mine).*

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