

# Higher Education and the State

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President

State Higher Education Executive Officers

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# Overview

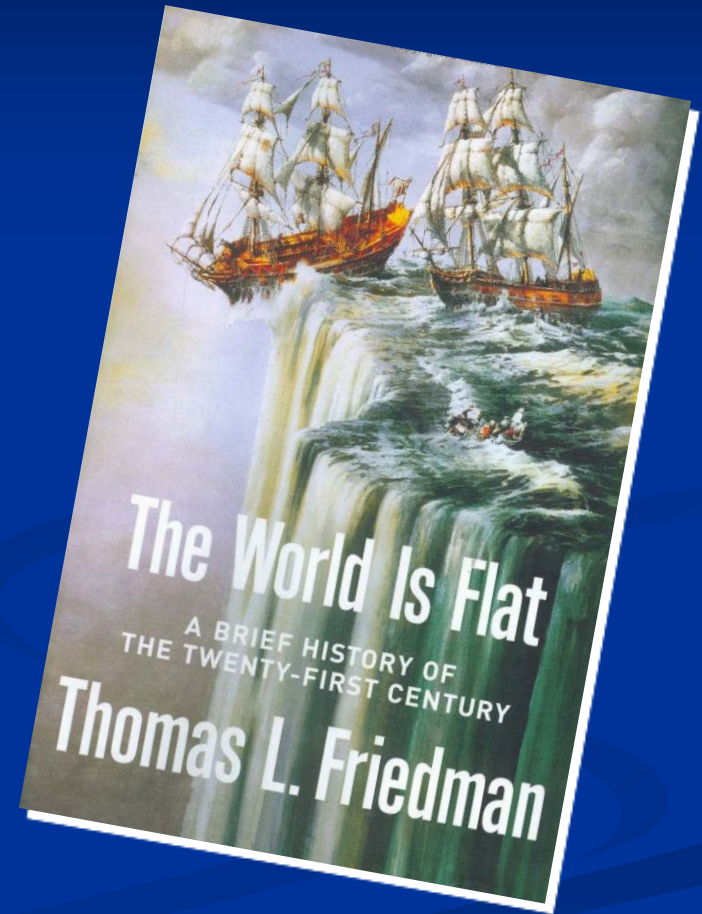
- Changing expectations, changing environment
- Higher education and money
- The case of higher education against the state
- Accountability, autonomy, academic performance

# Aspirations of High School Sophomores

- 72% - At least a baccalaureate degree
- 36% - A graduate or professional degree
- 10% - Some postsecondary education
- 8% - No postsecondary education
- 10% - Don't know

# Forces Flattening the Global Playing Field

- Fall of Berlin Wall
- First Mainstream Web Browser
- Work Flow Software
- Open Sourcing
- Outsourcing
- Offshoring
- Supply-chaining
- Insourcing
- In-forming
- “The Steroids” Wireless Mobile Digital Communication



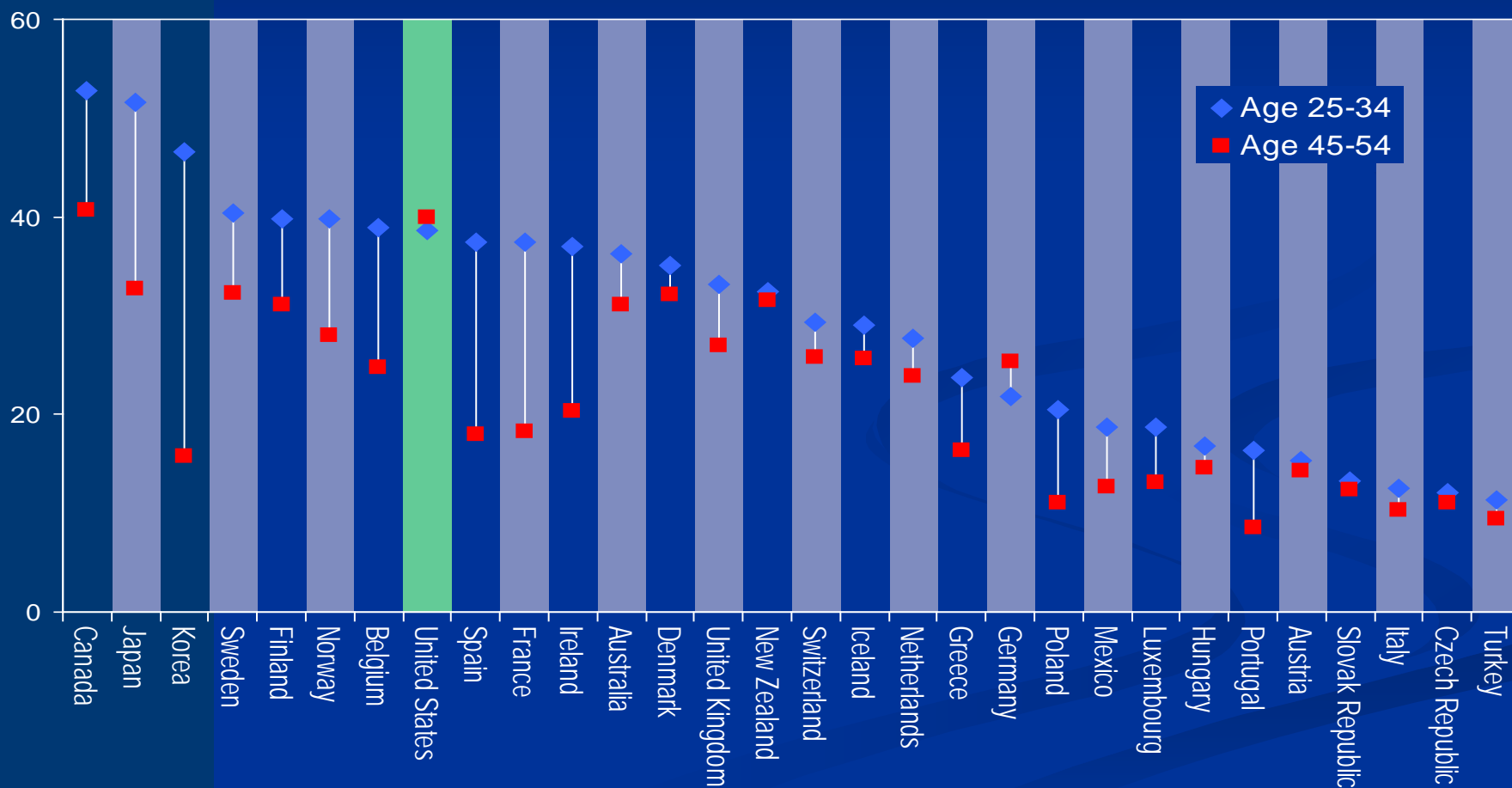
# The Price of American Workers

American (and Western European) workers are the most expensive in the world.

What will it take for them to be worth what they cost?

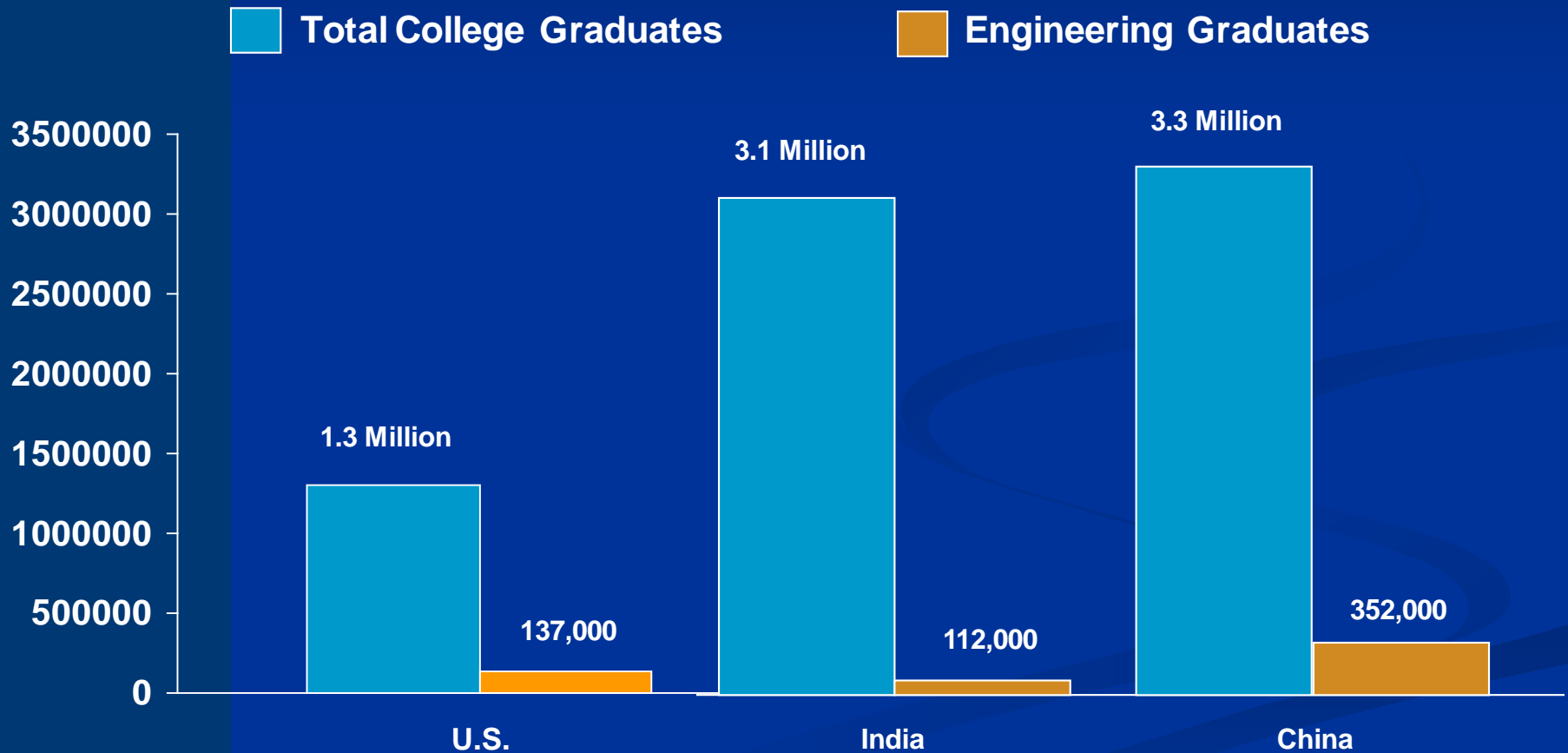
They must be the best educated in the world.

# Differences in College Attainment (Associate and Higher) Between Young and Older Adults – U.S. and OECD Countries, 2004



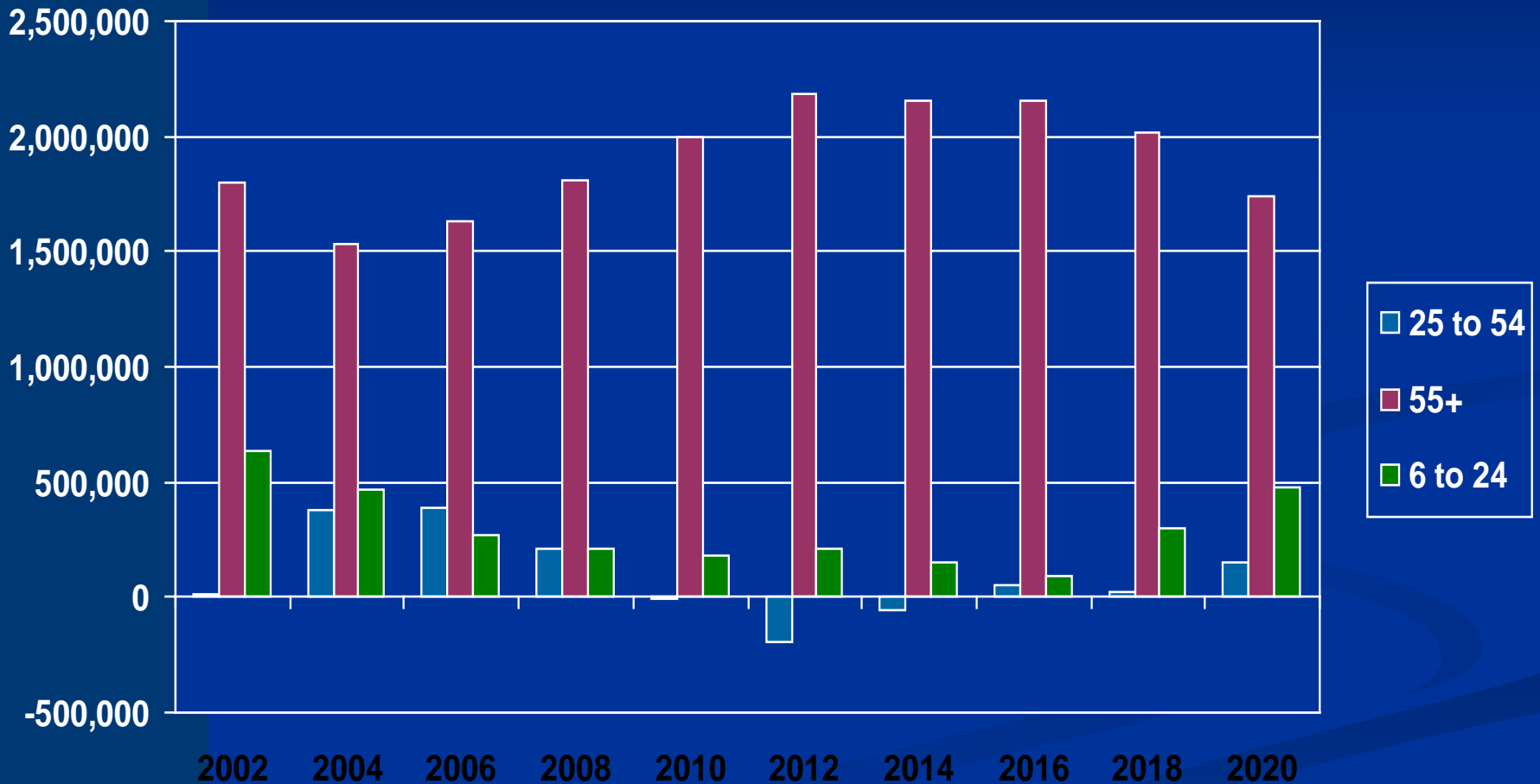
# College Graduates: U.S., India, and China

## 4 year degrees



# The Aging U.S. Workforce

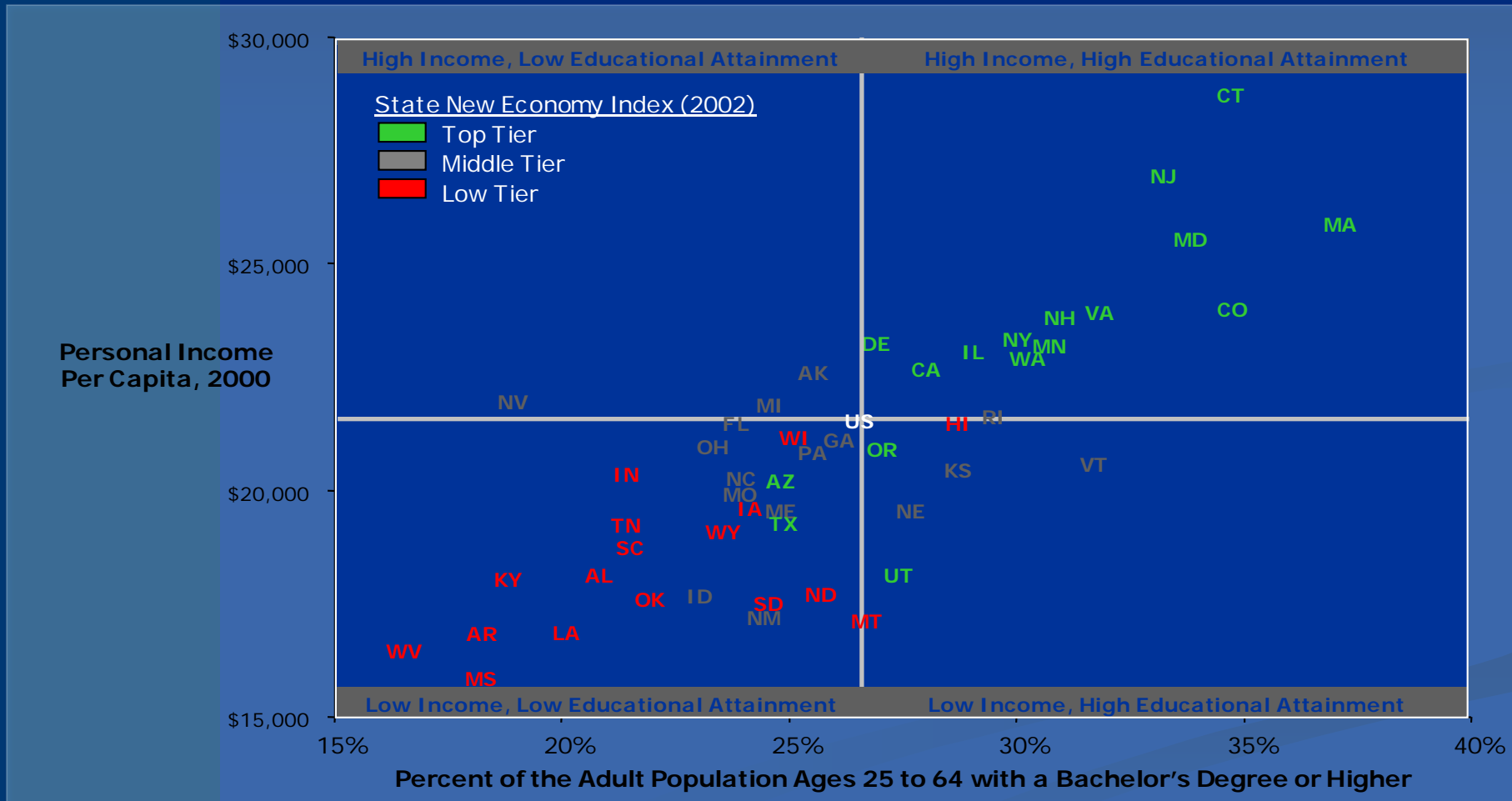
Year-to-Year Change in U.S. Population, 2002-2020





# Fifty State View: Education and Prosperity

## Educational Attainment, Personal Income, and Economic Strength



## Second to none in degree attainment by 2025 requires 22.5 million more degrees

- 7.0 M – From immigration at historical rates
- 15.5 M – From U.S. population

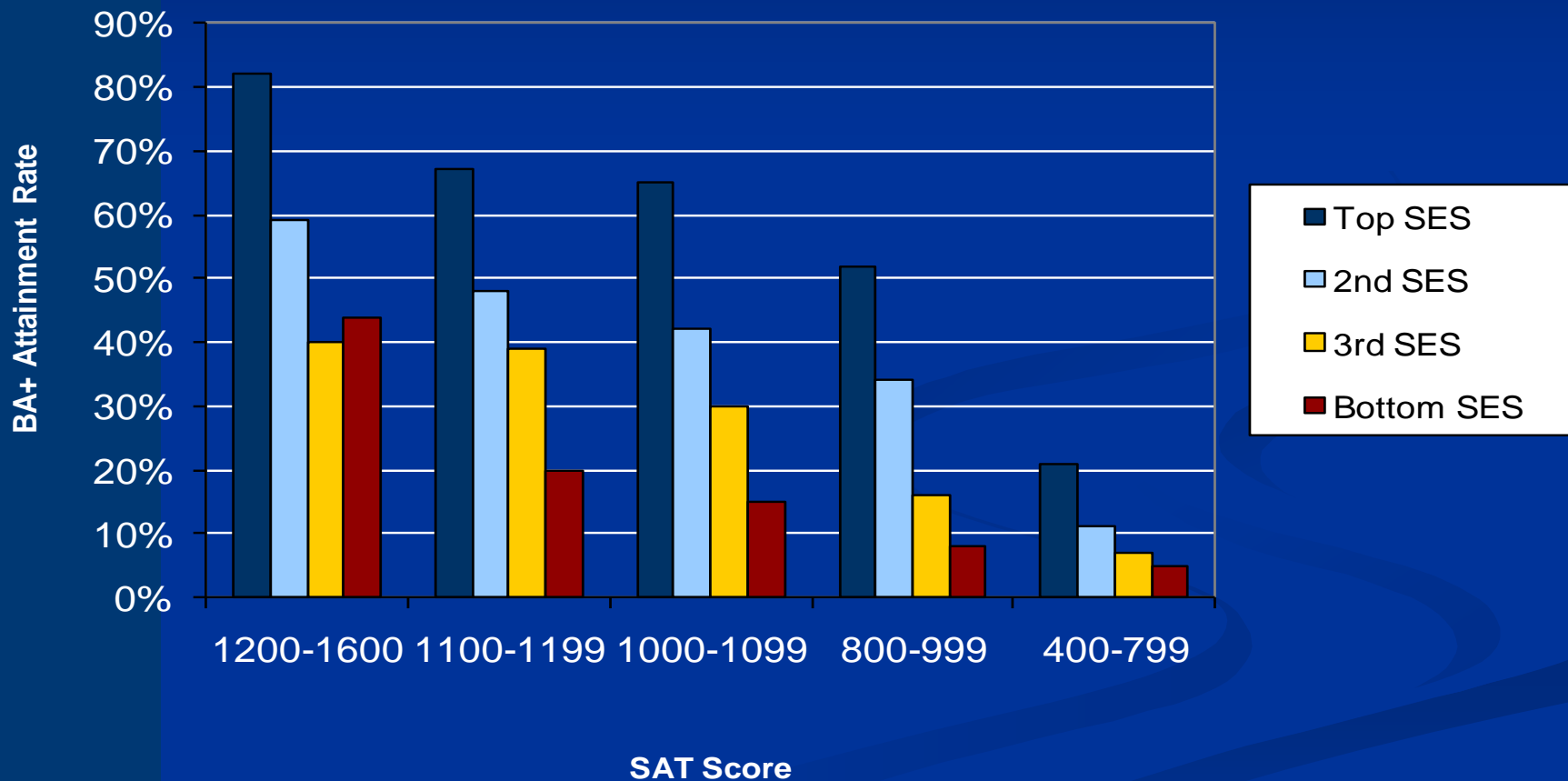
### Sources of 15.5 million degrees:

- 1.3 M – Population growth
- 4.3 M – Pipeline productivity gains
- 4.2 M – Adults 25-34 with some college
- 2.5 M – Adults 35-44 with some college
- 1.3 M – Adults 25-34 with HS diploma, no college

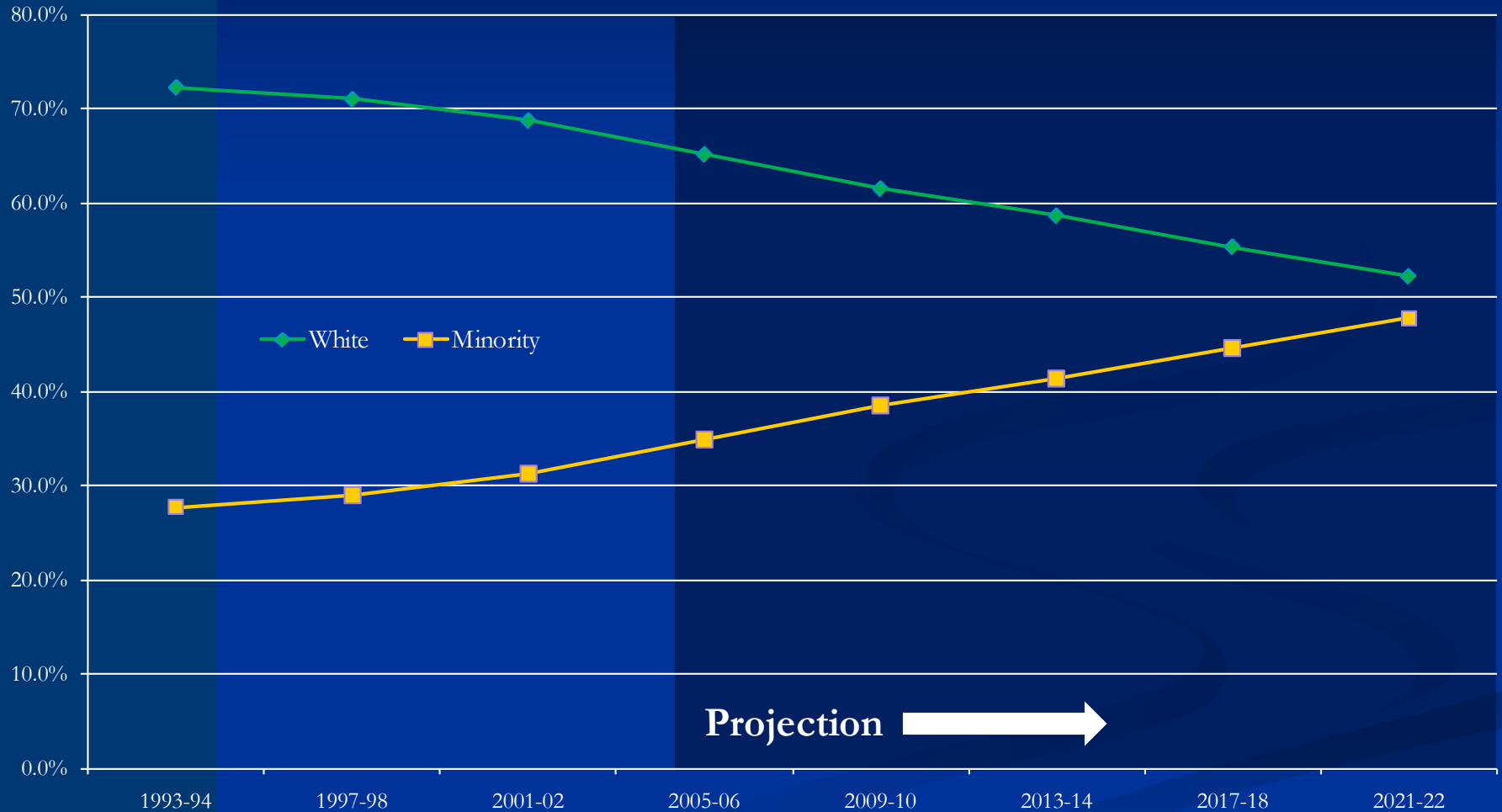
# College Participation by Socioeconomic Status

College Participation By Achievement Test and Socioeconomic Status Quartile		SES Quartile	
		Lowest	Highest
Achievement Quartile	Highest	78%	97%
	Lowest	36%	77%

# Degree Attainment by SAT Scores and Socioeconomic Status



# Composition of Public High School Graduates by Race/Ethnicity



# What is required?

- Double the degree production of the 1960s with no compromise on quality
- Achieve equal college participation and success rates at every level of SES and academic ability
- Increase educational expectations and attainment for average ability students

# HIGHER EDUCATION AND MONEY

# Widespread higher education is a valuable public good

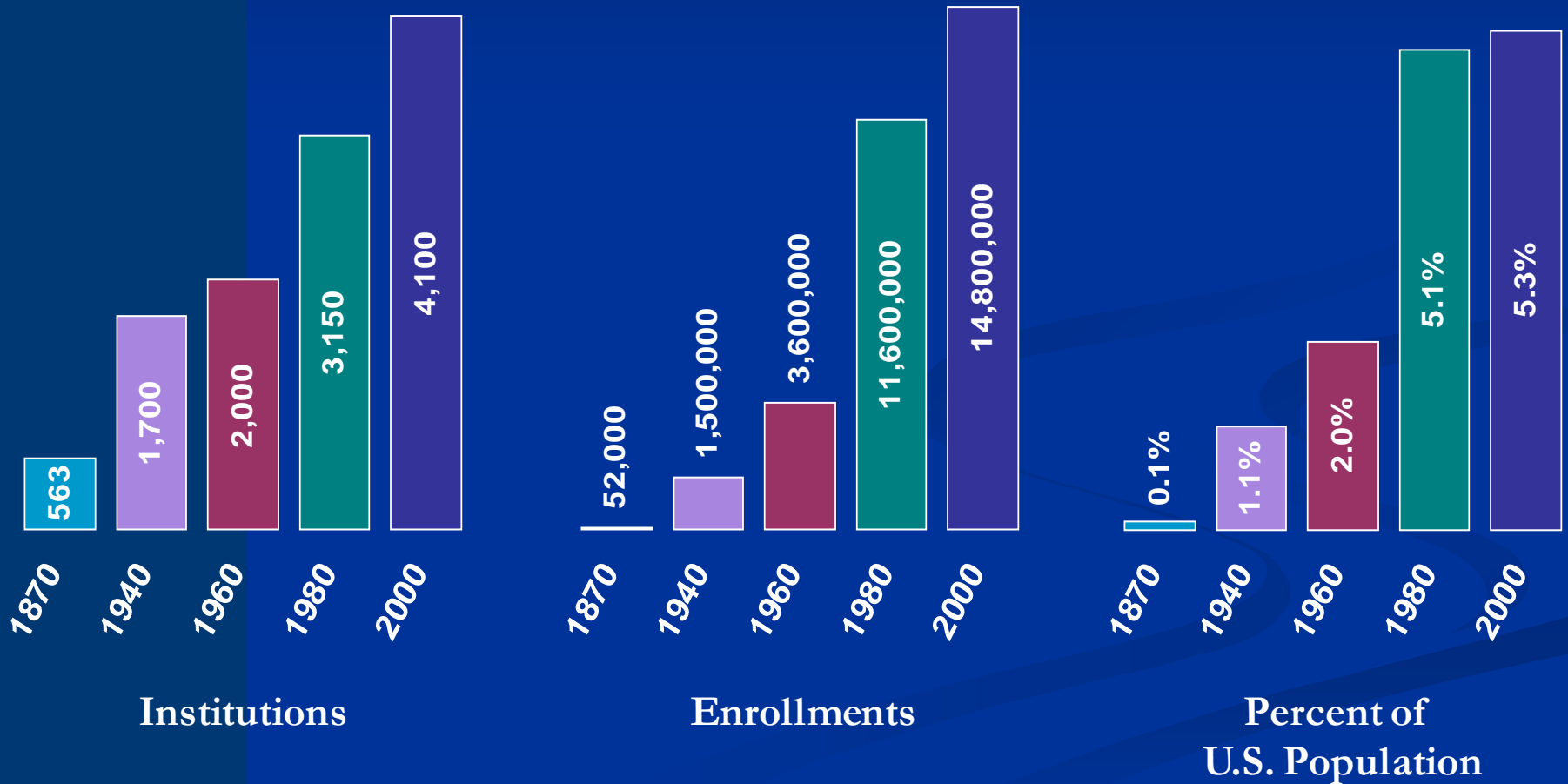
- Investment in human capital benefits all of society, not just the individual.
- The private benefits of higher education generate higher tax revenues and many public goods.
- “History becomes more and more a race between education and catastrophe.”  
(H.G. Wells, 1920)



# Higher education: principally a private good

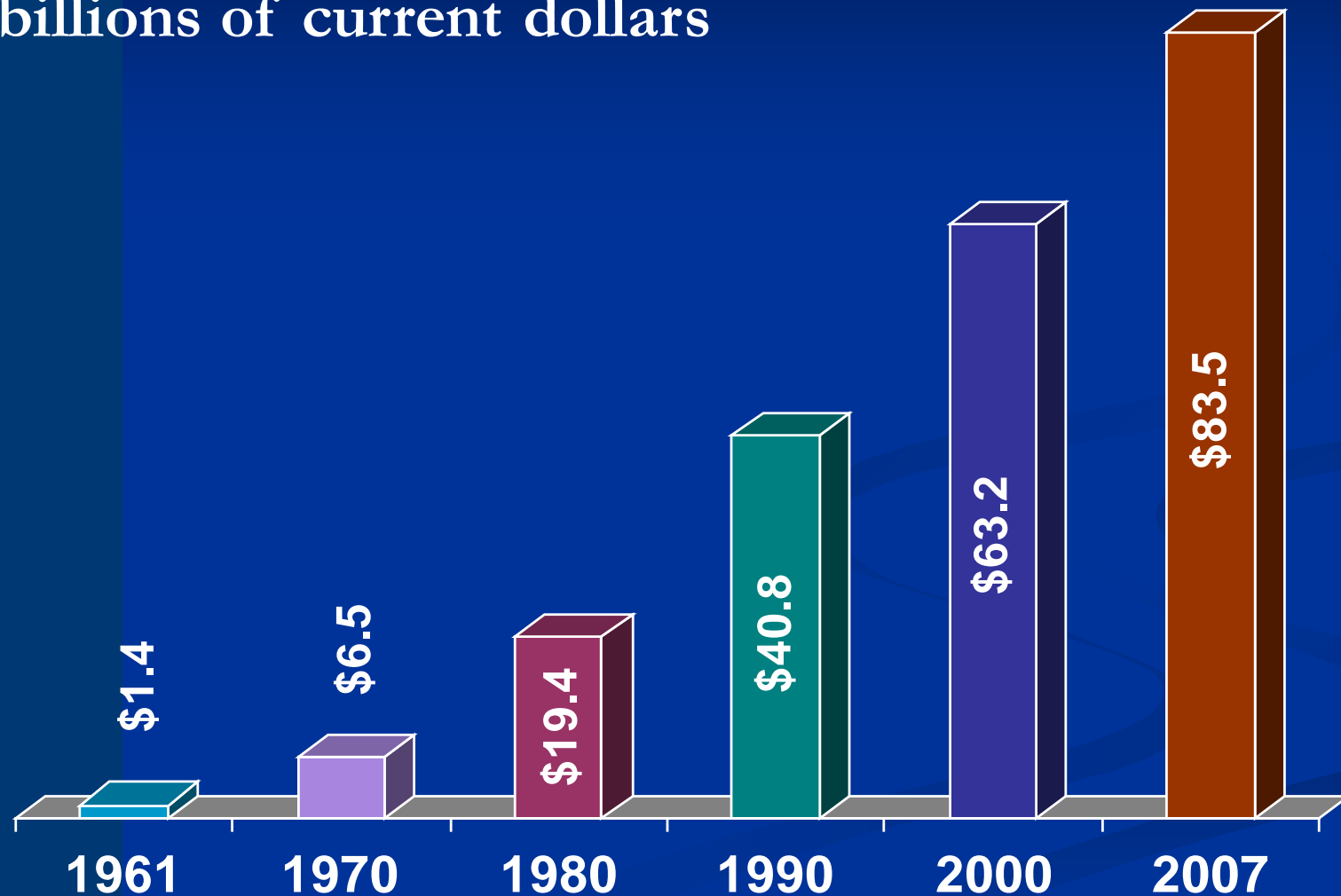
- The acquisition of higher education is a valuable private good, and those who obtain it tend to be in the “comfortable class.”
- Higher education should not be subsidized – public subsidies are regressive.  
(Hanson and Weisbrod, 1969)

# Scope of Higher Education in the United States – 1870 to 2000

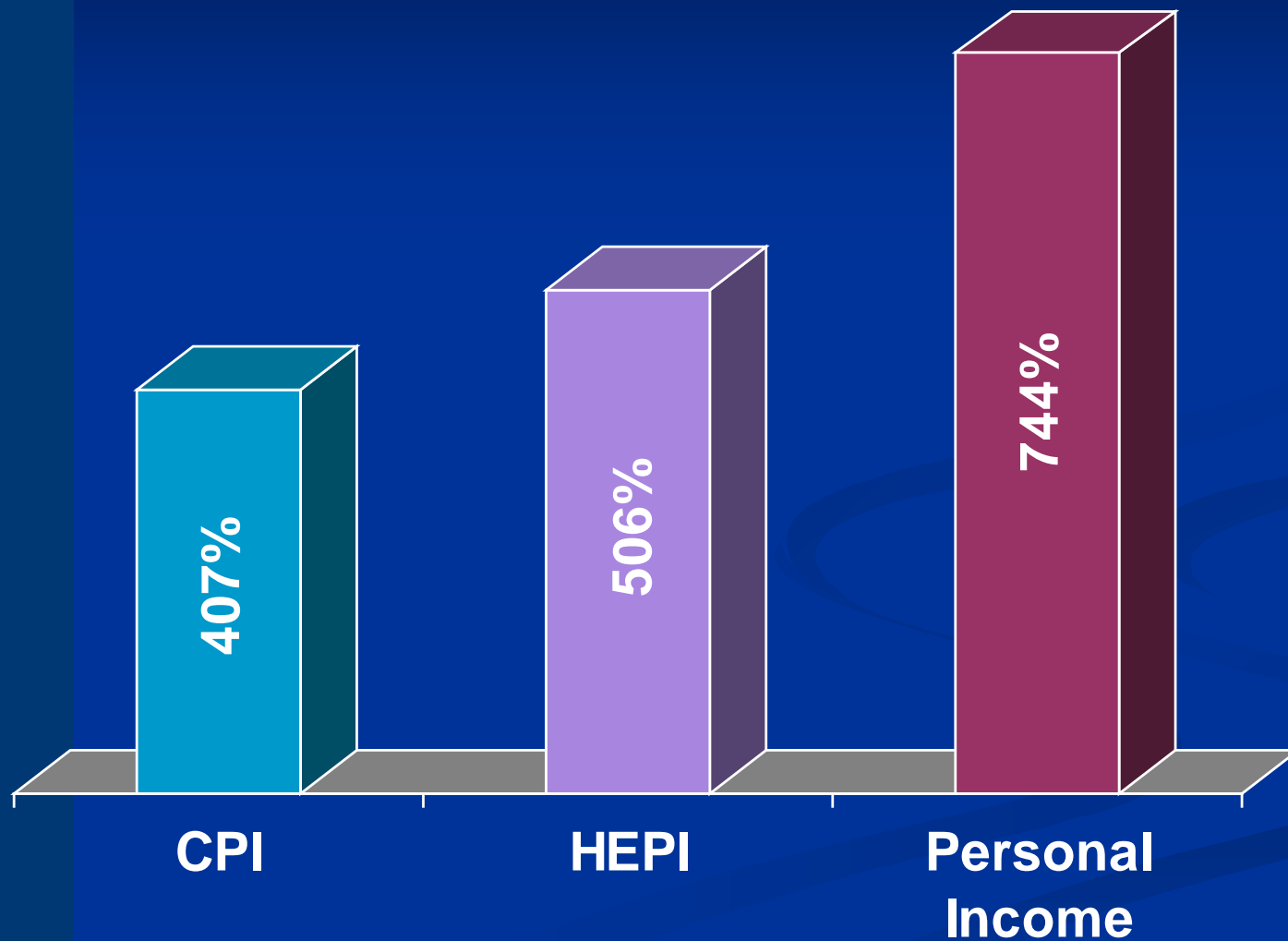


# State Support for Higher Education

in billions of current dollars

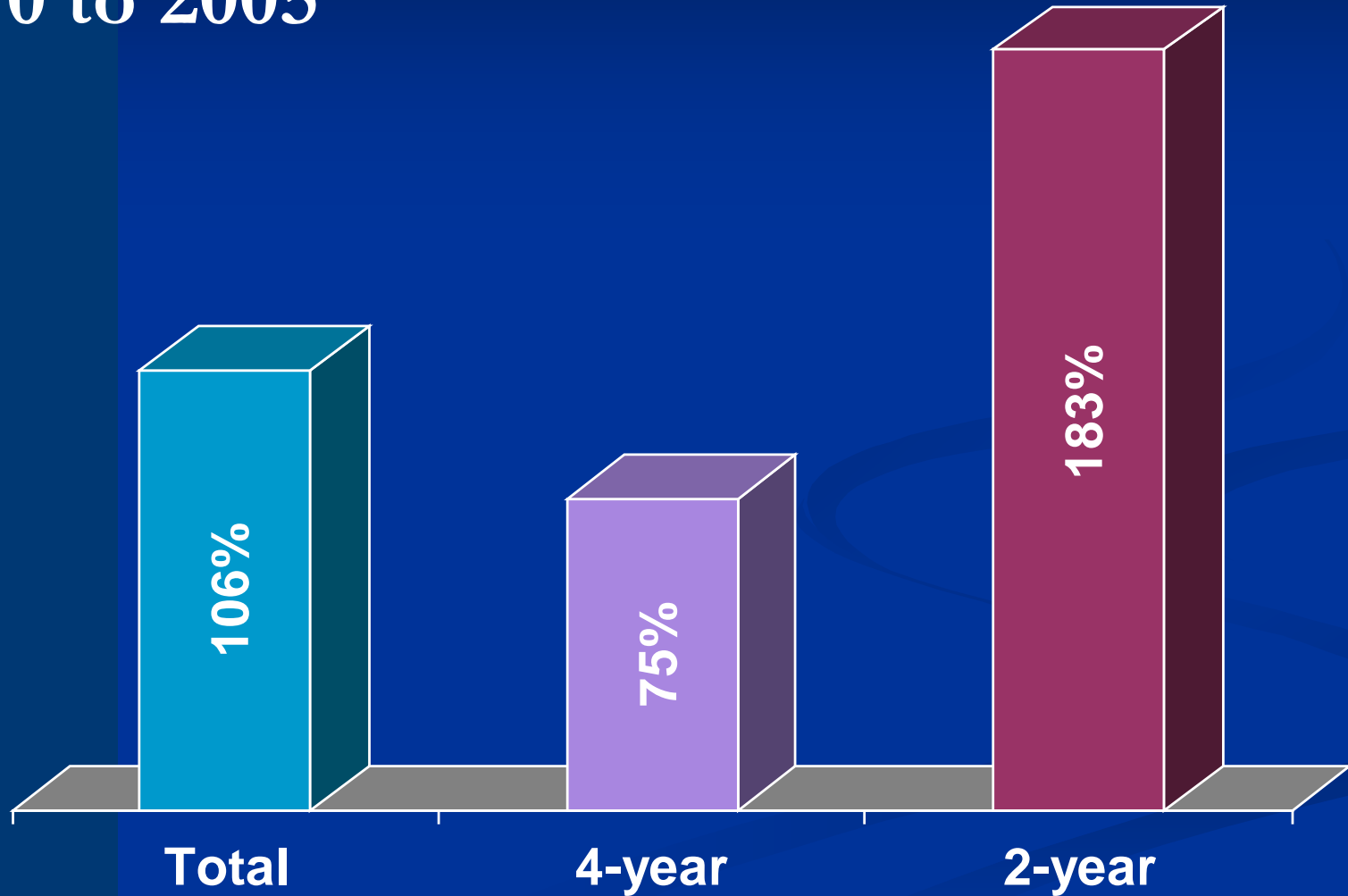


# Inflation and Income - 1970 to 2005



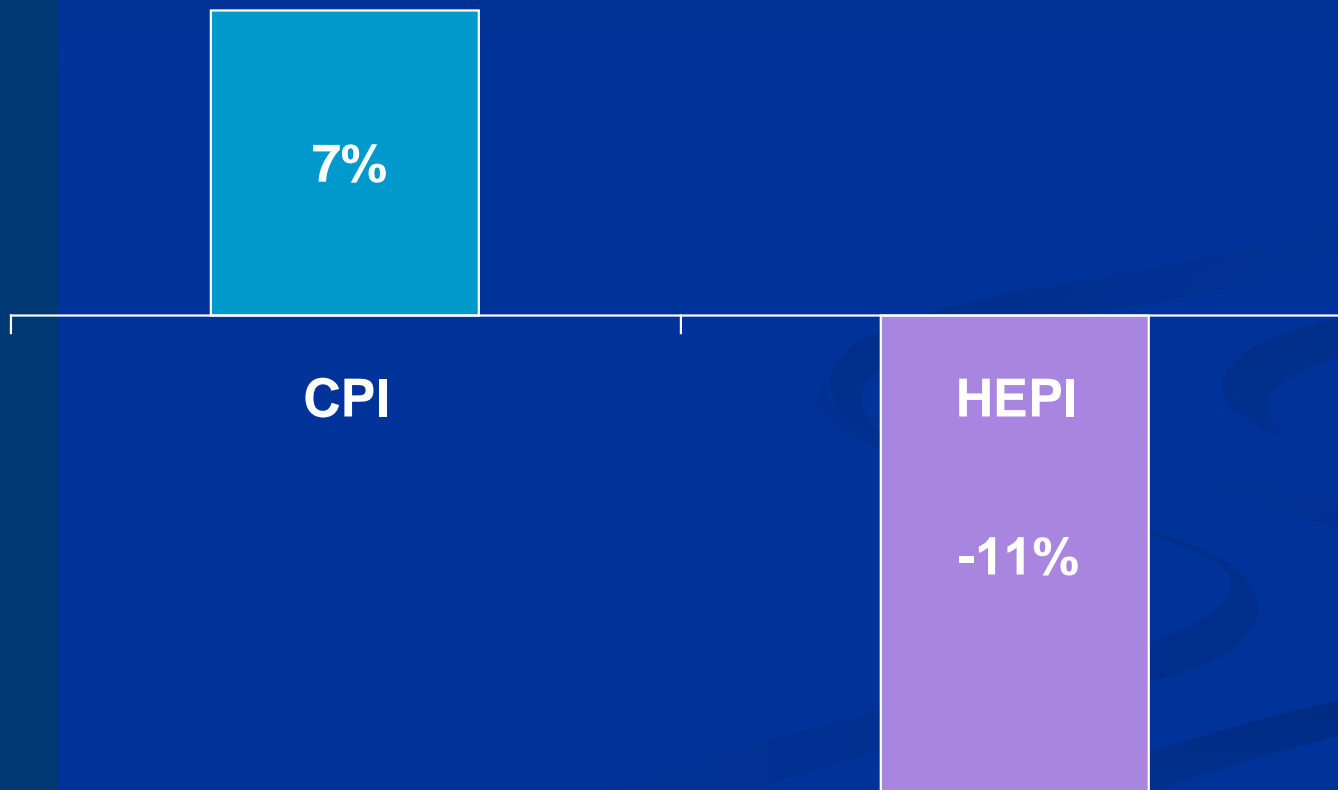
# Public Enrollment Growth

1970 to 2005



# Growth in State \$ per Public Student

1970 to 2005



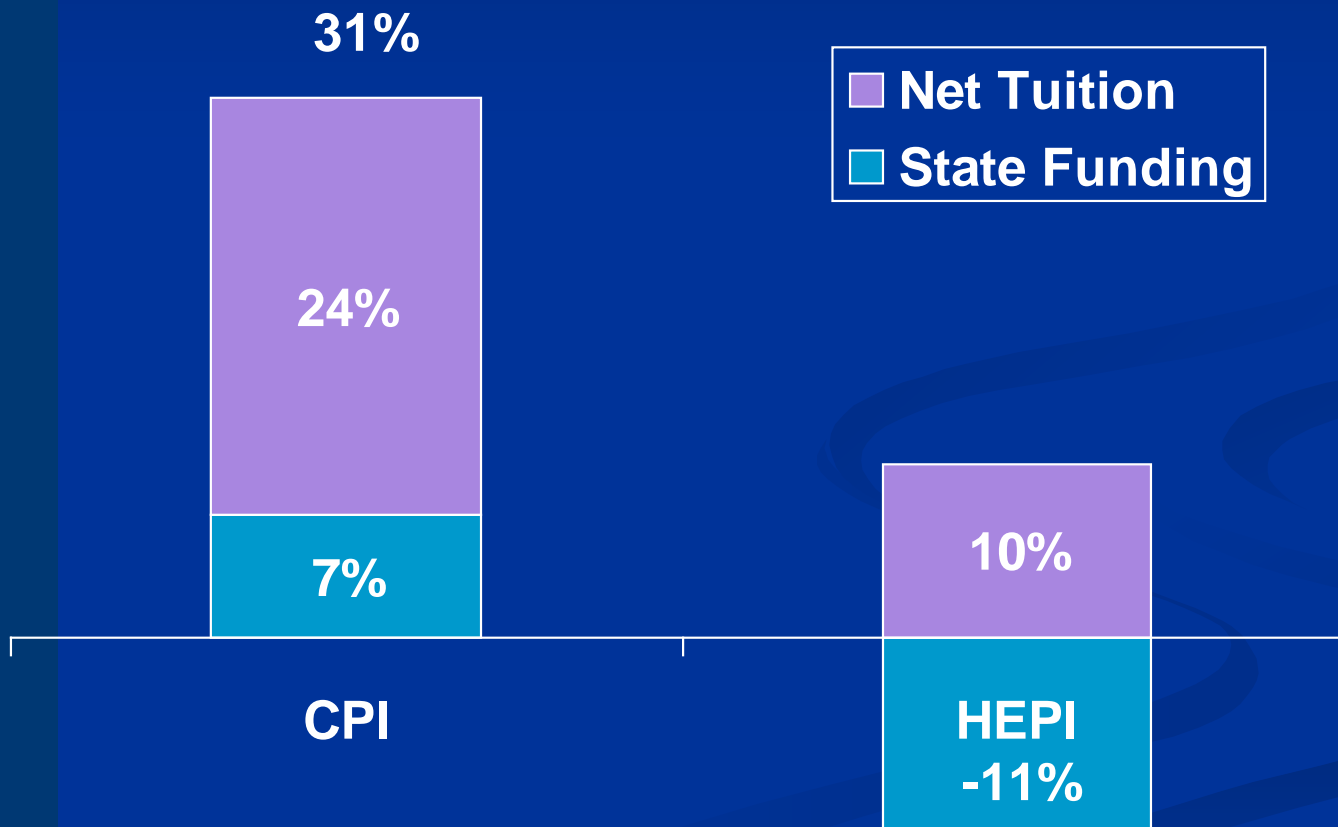
# Real Dollar Growth in Tuition & Fees

1970 to 2005 (CPI adjusted)



# Real Dollar Educational Revenue

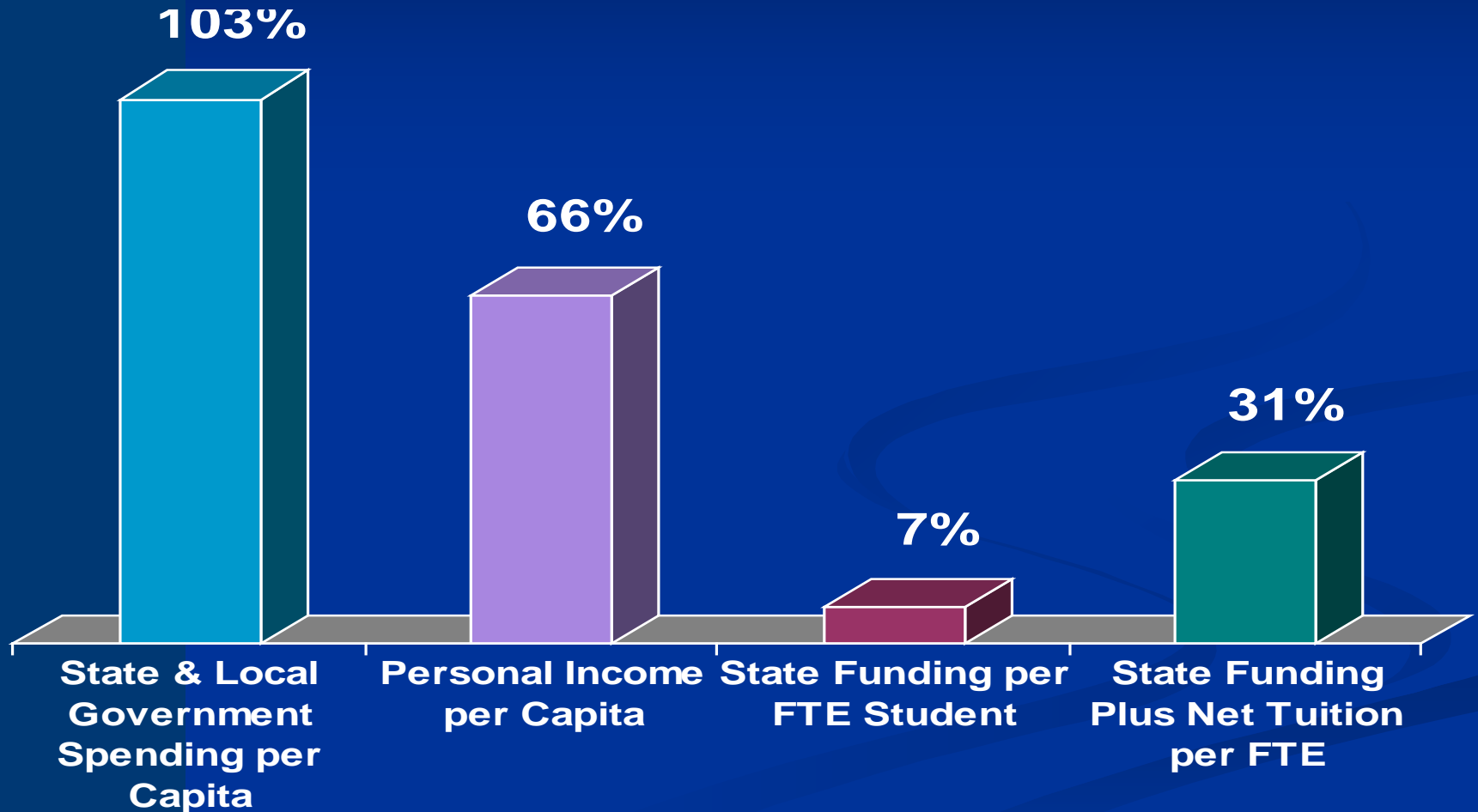
per Student - 1970 to 2005



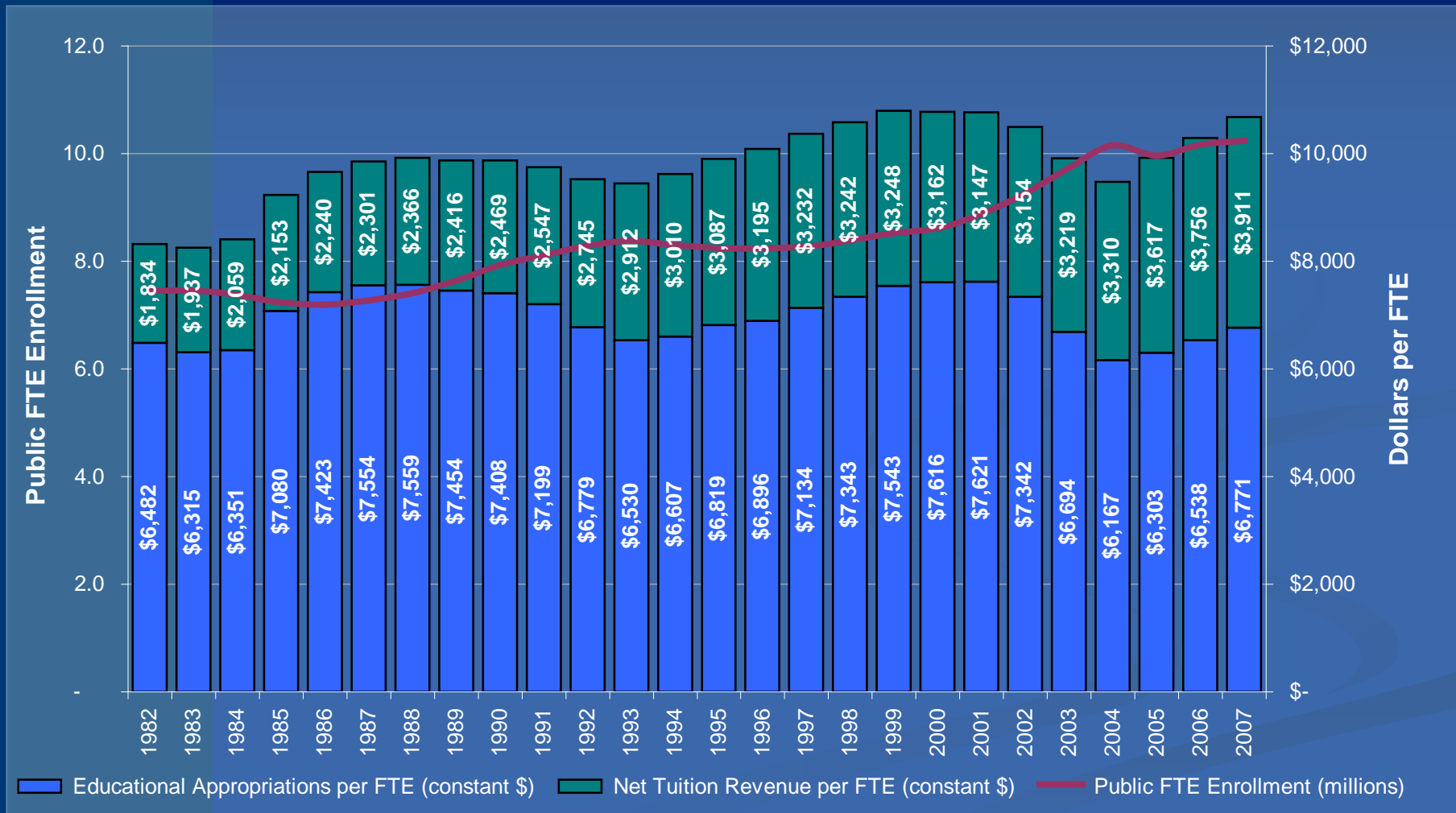


# Key Indicators

## Constant Dollar Growth (CPI) 1970 to 2005

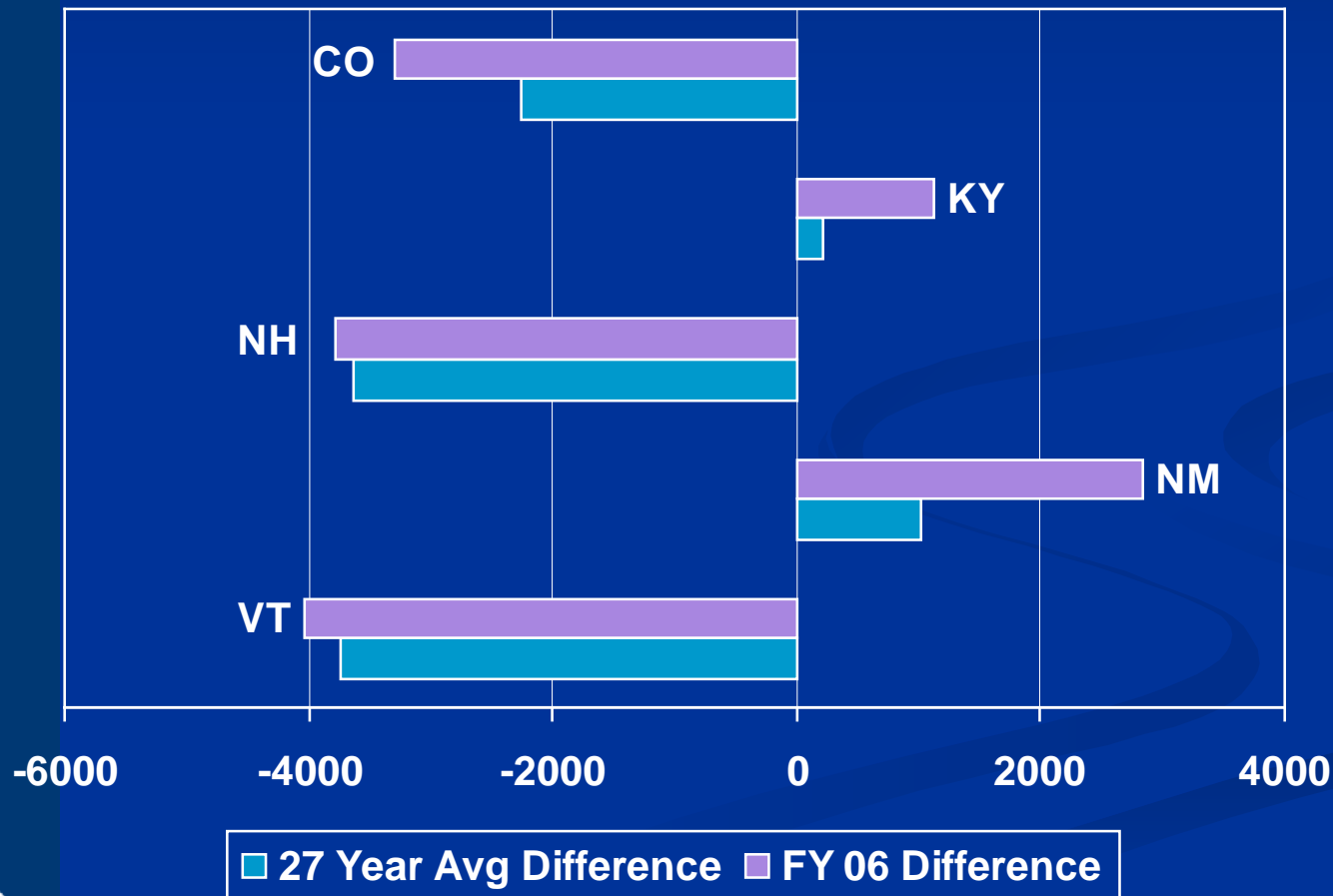


# Public FTE Enrollment, Educational Appropriations and Total Educational Revenue per FTE, U.S., Fiscal 1982-2007



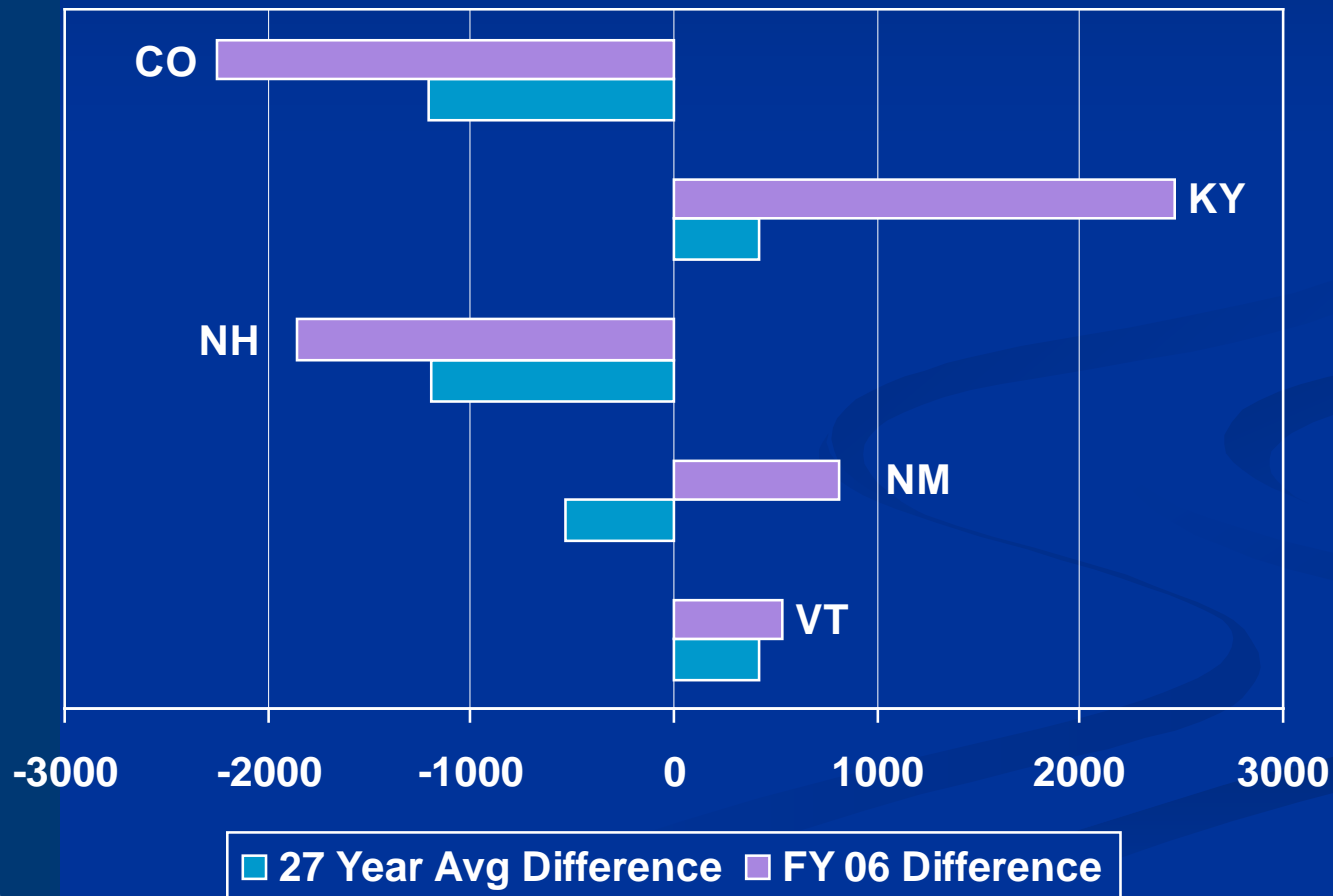
# Educational Appropriations per FTE

Differences from Mean, 27-year Average and FY06, Constant Dollars

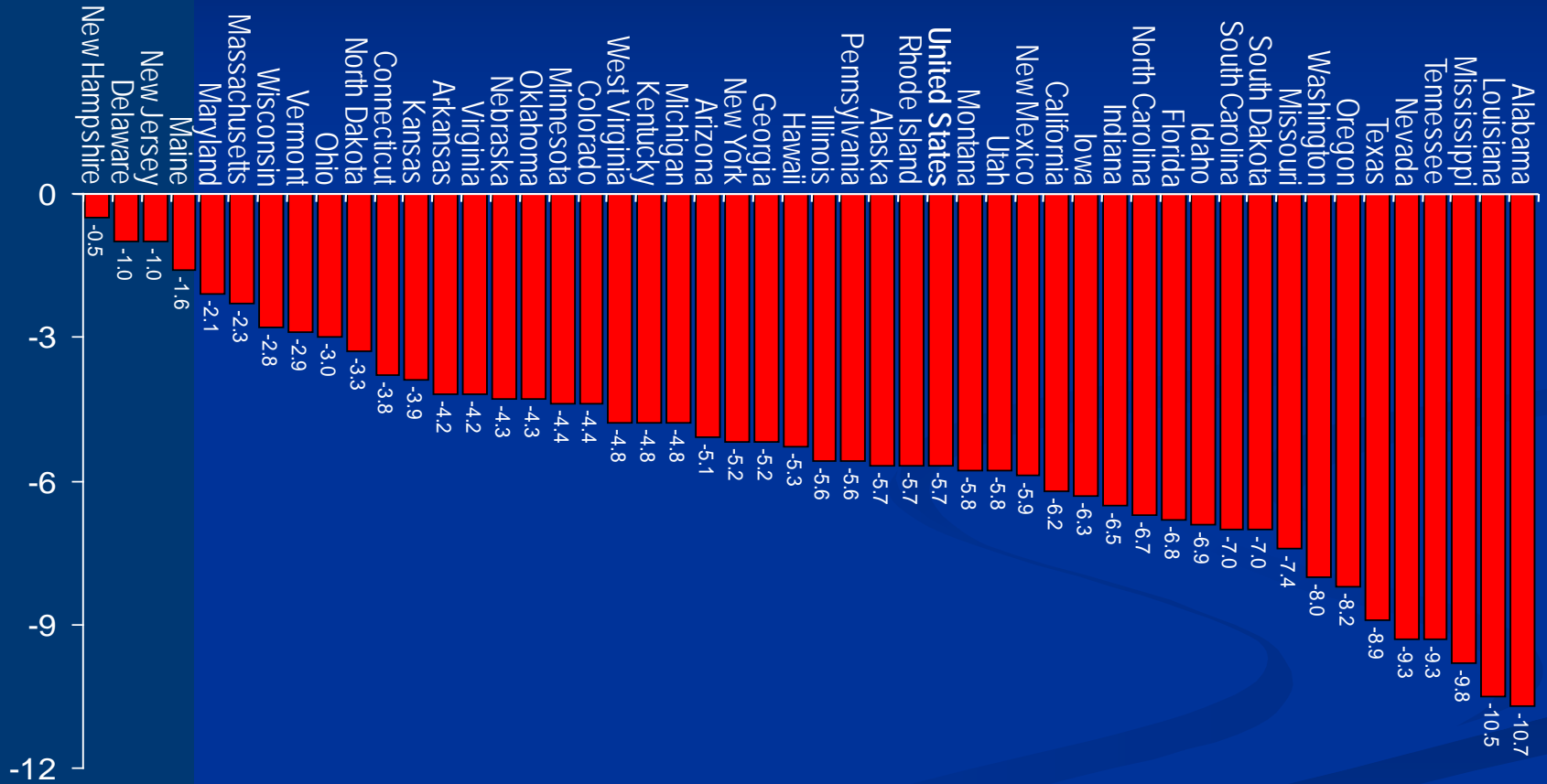


# Total Educational Revenue per FTE

Differences from Mean, 27-year Average and FY06, Constant Dollars



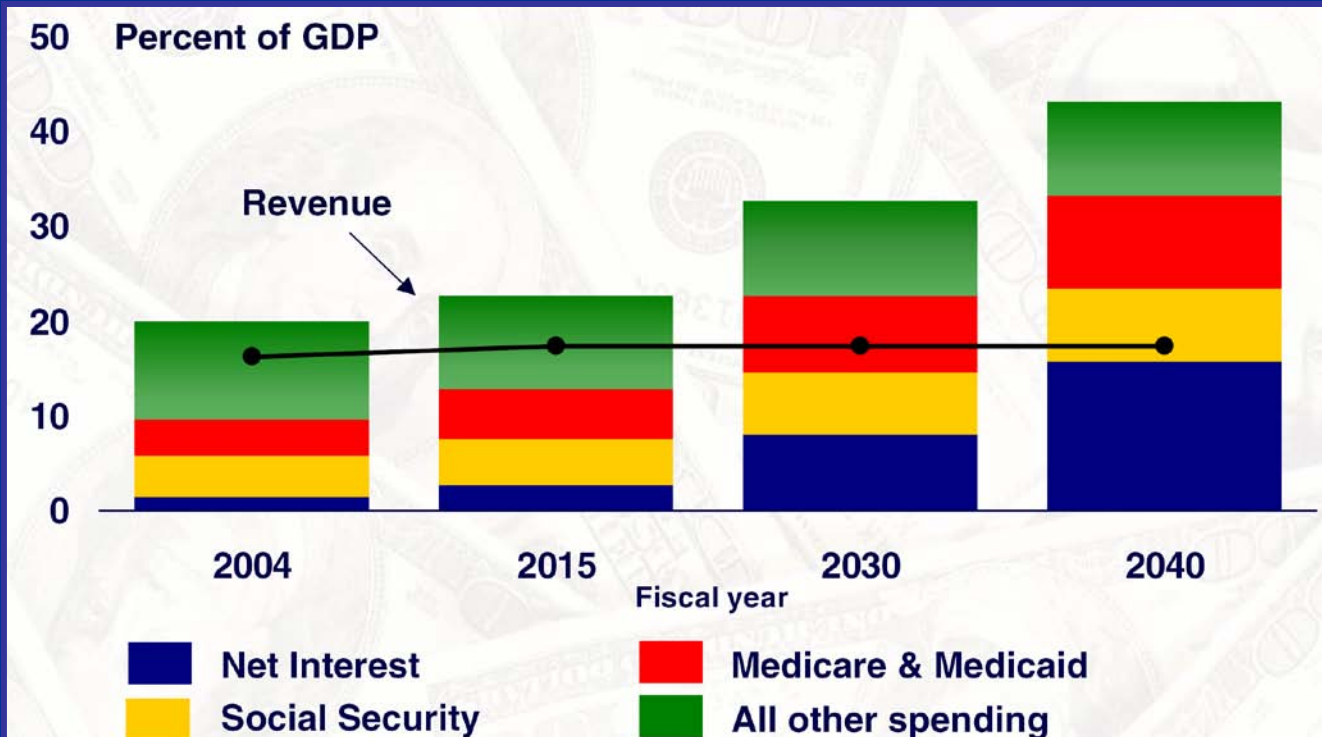
# Projected State and Local Budget Deficits as a Percent of Revenues, 2013



# Federal Budget – Comptroller General

## Composition of Spending as a Share of GDP

Assuming Discretionary Spending Grows with GDP after 2005  
and All Expiring Tax Provisions are Extended



Notes: Although expiring tax provisions are extended, revenue as a share of GDP increases through 2015 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2015, revenue as a share of GDP is held constant.

Source: GAO's August 2005 analysis.

# College Costs

## Data and public perception:

- U.S. spending on Higher Education over \$22,000 / FTE twice the OECD average (Wellman study for Spellings Commission)
- Public 4 year tuitions rose 51% faster than inflation (CPI) from 1995 to 2005 (Spellings Commission citing College Board Study)

# College Costs

## Why issue won't go away

- We need more educational attainment
- Public resources will be scarce
- Transparency and comparisons on cost will grow under Higher Education Act



# College Costs

## What should we do?

- Accept responsibility for productivity gains
- Show commitment and capacity for increasing attainment
- Show where more money adds value

# Three Wrong Ideas

- There is a “right amount;” we can create the perfect formula.
- The only way to get improved performance is to spend more money.
- We can get the results we need without spending more money.

# Three “Right” Questions

- What does the public need from higher education?
- What can higher education do better with the money we have now?
- Where can strategic investments help us get the results we need?

**THE CASE OF**

**HIGHER EDUCATION**

**versus**

**THE STATE**

# Higher Education vs. The State

## The Case Against the State

The instruction and research of colleges and universities:

- Build prosperity
- Enhance the quality of life
- Are essential for a successful democracy

# Higher Education vs. The State

## The Case Against the State

Enrollment demand is unrelenting

YET

State funding is decreasing as a percentage of  
university revenues

AND

Higher education is receiving a decreasing  
percentage of state appropriations

# Higher Education vs. The State

## The States Respond:

- We have funded enrollment growth and inflation
- Tuition and fees increases have greatly exceeded inflation
- The people have needs in addition to higher education
- Where is all the money going?

# Higher Education vs. The State

## Higher Education Responds:

The CPI doesn't come close to actual cost increases in higher education

Our market basket includes:

- High priced talent
- Cutting edge technology
- Etc.



# Higher Education vs. The State

## Higher Education Responds:

The money is going for:

- (Barely) competitive faculty salaries
- Student aid and student services
- Health care costs and retirement
- Keeping pace with technological change
- Keeping programs current
- Teaching loads to attract strong faculty
- O&M of aging facilities

# Higher Education vs. The State

## The State Responds – What about:

- Incoherent curricula – courses on obscure topics
- Lots of mediocre research
- Wasteful competition for empty prestige
- Wasteful uses of faculty time
- Frills (athletics, amenities) for pampered students  
(Your children and mine!)
- Unjustified reductions in teaching loads
- No motivation to reduce costs in seller's market

# Higher Education vs. The State

## Grand Jury's Deliberations:

- We need excellent higher education, and lots of it.
- We only have so much money.
- Can't you folks figure this out?

# Higher Education vs. The State

Grand Jury's Verdict:

Plaintiff

and

Defendant

– both indicted!

ACCOUNTABILITY

AUTONOMY

ACADEMIC PERFORMANCE

# Accountability

As old as  
the grading system.

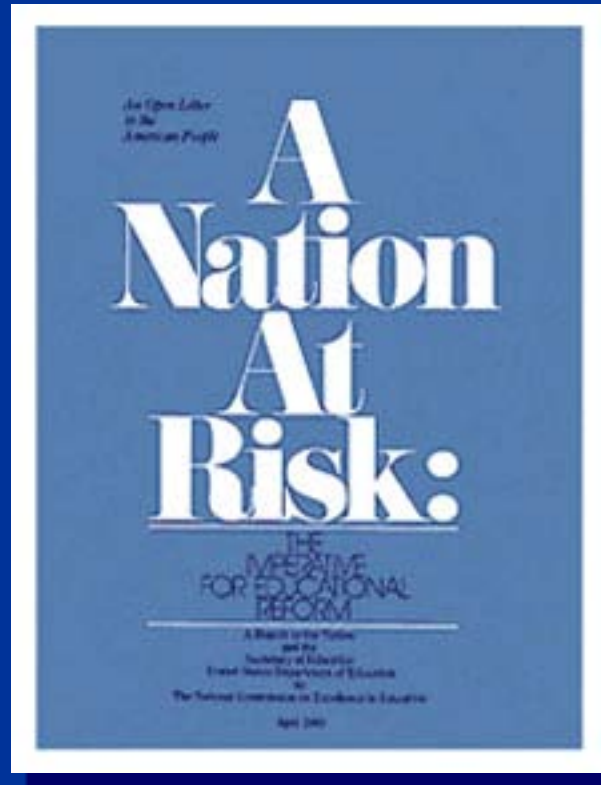
Not a new idea.

# Accountability

Now used to express urgent  
need for improved educational  
performance

# Accountability

Recent calls for greater accountability:





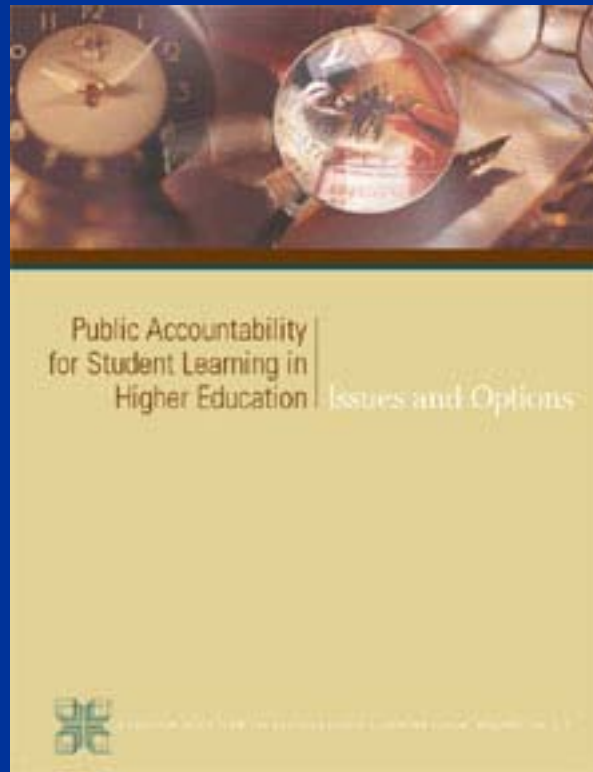
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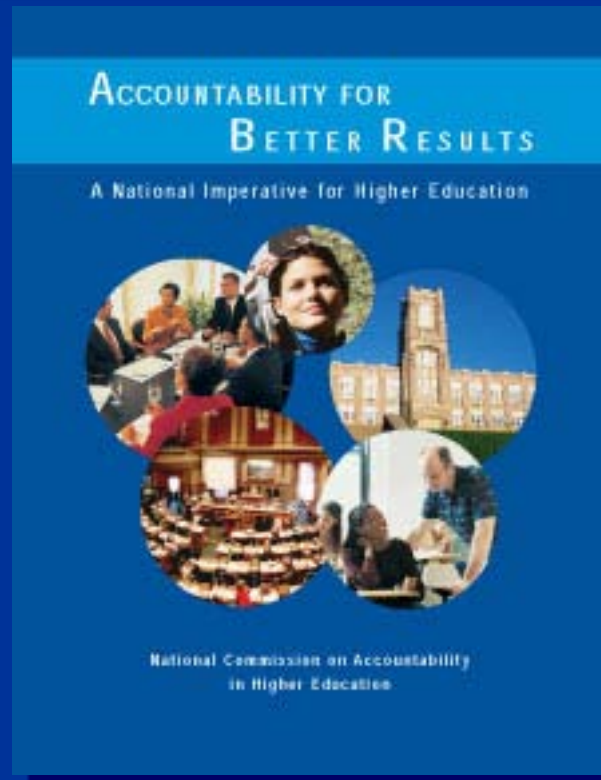
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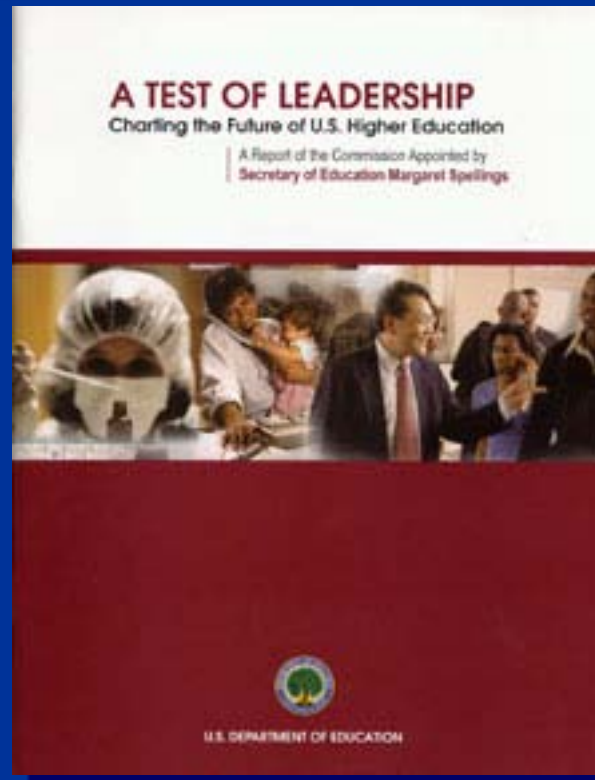
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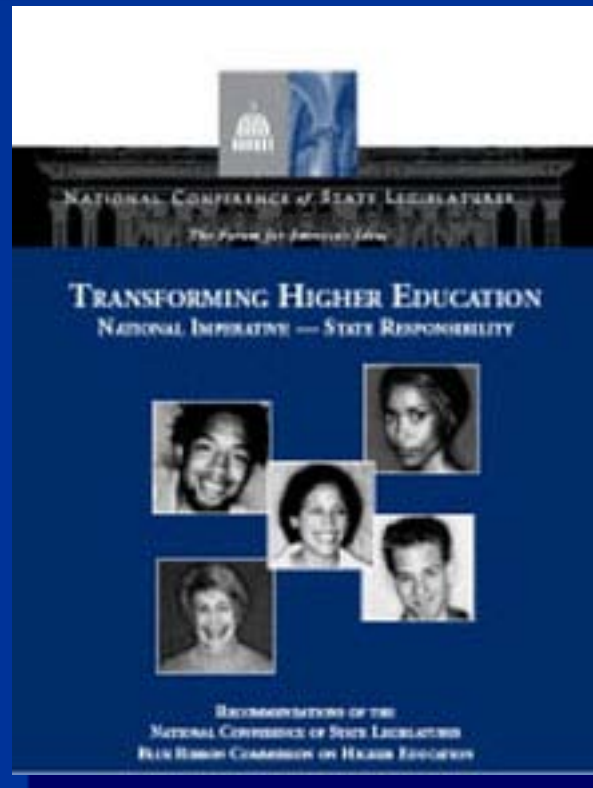
# Accountability

Recent calls for greater accountability:



# Accountability

Recent calls for greater accountability:



# Accountability

Different in

focus, diagnosis, scope, and  
recommendations;

but all with a  
common objective.

# Autonomy

Like “accountability”,  
a fighting word with multiple meanings.

## **Academic Freedom:**

The freedom to explore, to teach, to be a social critic

- (a) An extension of the fundamental right to freedom of expression
- (b) Not necessarily connected to tenure, but certainly related to the practice

# Autonomy

Like “accountability”,  
a fighting word with multiple meanings.

## **Institutional Autonomy:**

The freedom to offer any program, any service, to define mission, standards, and academic policies and practices without external constraints.



# Autonomy

Like “accountability”,  
a fighting word with multiple meanings.

## **Freedom from Regulation:**

- (a) Personnel policies and practices
- (b) Purchasing, capital planning and development
- (c) Prevention of fraud and abuse

# Autonomy

Like “accountability”,  
a fighting word with multiple meanings.

## **Freedom to Set Prices:**

Raise tuition and fees

# Autonomy

“Institutional autonomy” is asserting too much

**Every institution’s autonomy is limited by:**

- (a) The market, what its customers and employees will tolerate
- (b) The priorities of its financial supporters – whether alumni, government, philanthropy, or contractors
- (c) The law – what is fair, equitable, safe in the social context

# Autonomy

“Institutional autonomy” is asserting too much

**The proper question – not institutional autonomy,  
but:**

- (a) What obligations do institutions have to society?
- (b) What reciprocal obligations do governments and citizens have to institutions?
- (c) What freedom, flexibility, and accountability are required for excellence and efficiency in the delivery of education, research, and service?

# Academic Performance

## Strategies for improvement

### Top-down accountability:

set standards,

measure performance,

impose rewards and punishments

# Academic Performance

## Strategies for improvement

### Market transparency:

require disclosure of performance  
relative to standards  
to inform consumer choice

# Academic Performance

## Strategies for improvement

### Shared accountability:

common purposes,

agreement on metrics,

transparent performance,

division of labor,

shared responsibility for improvement

# Essential Freedom

with accountability yields higher academic performance

The freedom to **express ideas**,  
**explore new knowledge**, and be  
a **social critic** is essential  
to democracy and  
a fundamentally important  
function of higher education.



# Essential Freedom

with accountability yields higher academic performance

The importance of these freedoms does not make higher education “autonomous;” it just means higher education has an especially **important role** to play in an open society.

# Essential Freedom

with accountability yields higher academic performance

A common understanding  
of public priorities and  
the role of higher education in  
meeting them is the foundation  
for an effective, well-supported system  
of higher education.

# Essential Freedom

with accountability yields higher academic performance

An effective accountability system will contribute to that common understanding and motivate and inspire each essential partner – government, civic leaders, institutional leaders, faculty, and students – to do their part to improve academic performance.

# Essential Freedom

with accountability yields higher academic performance

A consensus on goals and a shared sense of mutual commitment between government and higher education are essential for laying a foundation of trust – the basis for necessary flexibility and freedom from unproductive regulation and reporting.

# SHEEOs and institutions

## How can collaboration improve?

- The job of SHEEOs is to help institutions meet public priorities and to help government enable institutions fulfill their responsibilities.

It is about **public purposes**.

- There is an inevitable tension in this role.
- SHEEOs (whether governing or coordinating) cannot succeed unless both government and institutions use them to serve this common purpose.

# Contact Information

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