Meeting the Financial Challenges in Public Higher Education

Good afternoon. It is a pleasure to be here with you today and to have an opportunity to speak with you about our role and the challenges we face.

Before I start, I want to welcome our new co-chair of CGA, Sarah Spreitzer of Lewis-Burke Associates who will be starting in January. Sarah has served as leader of the APLU Council on Government Relations taskforce on Higher Education and is employed at Lewis-Burke where she focuses on issues related to education policies and funding. Welcome Sarah.

I want to talk a little about what I see as your role, both at your respective institutions and as CGA members.

There can be little doubt that this is one of the most challenging times any of us has faced in recent times and we are all being impacted by the current global recession.

The problems we face today are compounded by the fact that state support for public colleges and universities in the U.S. has steadily dropped over the last 20 years, declining in real terms by more than 15%.

That ongoing reduction, coupled with additional state budget cuts over the past two years, has created an enormously challenging environment for all of us.

Fortunately for everyone, the stabilization funds from the American Recovery and Reinvestment Act have at least, in the short term, lessened the impact of these budget cuts, and have in part enabled us to continue our focus on the important research and other significant initiatives being conducted at our institutions.

This, however, is only a temporary and limited “solution” and has still required that we all make some hard decisions about how we best utilize our scarce resources. And, the big question is “What will we do when that stimulus funding is gone?”

I want to take a few minutes about to talk about my perspectives on what we are experiencing, share some thoughts about how we can respond, and then leave a little time to hear your comments and answer a couple of questions.

To put things in perspective and serve as a platform for my comments, let me outline our situation at Georgia Tech, which all things being equal, is probably somewhere in the middle of the range of how our institutions are being impacted.

At Georgia Tech, our overall budget is approximately $1.2 billion, with research expenditures accounting for approximately $525 million of that.

In the past two years, state support has been reduced by more than $50 million. Today, state support provides approximately 22% of our overall revenue. While you may think that is low, at Colorado where I was before Tech, it was closer to 7%.

Georgia, like many of your states, is feeling the pinch of lower revenues, and is continuing to look everywhere possible for ways to balance the budget.

Our publicly supported institutions of higher learning are competing with all other agencies--
K-12, transportation, and public service agencies--for our share of a shrinking pie. We’re all on a diet that will probably become a lifestyle.

For a number of years, I’ve joked that at one time public universities were state funded, today we are state supported and soon we will be state located. With the cuts we’ve all experienced in this recession over the past year—it’s beginning to feel true for many of us.

I think what we’ve experienced over the past two budget years at Georgia Tech is the story everywhere.

In Georgia: This summer, Georgia’s Governor Sonny Perdue requested that agencies develop budget reduction proposals for 4%, 6% and 8% for FY 2010, which includes furlough days for state employees. The actual amount will depend on state budget trends.

This past Monday the governor announced October revenue figures, and net revenue collections were 17.8% lower than October 2008. The year-to-date decrease for fiscal year 2010 is 15.1% less than fiscal year 2009. At the same time our undergraduate applications were up 15% this past year and this fall are tracking at 18% ahead of last year. Our enrollment is up, and we’re doing more with less.

The University System of Georgia budget reduction strategy for the 35 institutions is a combination of institutional actions, changes in healthcare benefits, and furloughs, with the size of each dramatically increasing if we need to move from a 4% to an 8% overall reduction.

At Tech, our budget reduction strategy includes furloughs, a moratorium on hiring except mission-critical positions, and evaluating business processes and services across the Institute.

This past fall, the APLU Research & Policy Analysis conducted a survey from among 188 chief academic officers at APLU member institutions. 87 universities responded from 41 states and Guam. The large majority (73) were research universities.

The report was just recently released and is entitled “Coping Strategies of Public Universities During the Economic Recession of 2009,” and is available on the APLU Web site.

First, a bit of good news—total student enrollment (undergraduate and graduate) was estimated to be stable or up slightly as compared to Fall 2008.

The rest of it is not very encouraging.

- 85% of the institutions responding reported a decrease in state appropriations, with nearly half reporting a decrease of 10% or greater.
- Half reported that revenues declined even with tuition and fee increases. And, tuition and fee increases were the norm across all institutions.
- 56% reported that additional cuts in state appropriation were likely
- The most common repercussions of these reductions in state appropriations reported by 55% of the institutions were the ability to hire/retain faculty and staff, invest in new technology, sustain student support services and maintain campus infrastructure.
- Nearly 80% reported reductions in permanent and temporary staff positions.
- 70% report using federal stimulus funds as a short-term measure to close budget gaps or manage costs.

In addition to asking how we manage this situation, I think the more important question is “How will public research universities emerge from this situation and what can we, in our respective roles, do about it?”
First is Communication.

Perhaps most importantly, we need to change the conversation; we need to move the discussion of the cost of a public higher education from that of a commodity to one of investment. None of us would hesitate to take out a loan for a house or car, but we would not think of doing so for groceries. Somehow we have fallen into a trap of expecting that we can pay for a college education from our annual income. As state support continues to decline, I believe that tuition will continue to increase to compensate, further challenging the average family to find a way to pay for it.

There can be little doubt that investing in education is a smart thing to do.

- Education yields a big payoff for the individual, but it also pays off for society in big ways—a more talented workforce, higher tax revenues, lower social service and criminal justice spending.
- A state’s growth and prosperity are directly tied to education. Jobs are tied to education.
- Public research universities are a major source of bachelor’s and doctoral recipients in areas of national need, such as engineering, technology, health, agriculture, computer science, education and foreign languages.
- It helps break the poverty trap. We have a good example of that at Georgia Tech. Through our Tech Promise program, we are able to offer qualified in-state students whose families meet the income requirements a debt-free Georgia Tech education. It is in its third year, and more than 350 students have taken advantage of the program. One of our Tech Promise students was living in a car with his mother and now he is going to Georgia Tech because of Tech Promise. The program will help break the chain of poverty for next generation.

In his State of the Union address in January, President Obama announced a very aggressive goal of having 40% of our citizens earn college degrees. If we are to reach this goal, public universities will be key just by our sheer numbers. The top 8 public universities educate more than 350,000 undergraduate students. The 8 Ivy League schools have one sixth of that.

Public universities with strong state support have a cross-section of ethnic and economic diversity. To reach the goal set by President Obama we will need to increase that diversity and make sure that public universities are accessible to all Americans.

We educate some of the brightest students in the country and many of us are enormously proud of the quality of our students, as well we should be. But we also need to ensure that we serve the entire spectrum of students, including the non-traditional students coming back to college to advance in their careers or change fields.

Higher education is the “go-to” place for solutions to some of society’s most pressing problems.

On November 3, the president of APLU and AAU sent a letter to President Obama urging his continued strong support for scientific research.

In that letter, APLU President Peter McPherson and AAU President Robert Berdahl stated that universities in both organizations, including most major public and private research universities in the U.S., are committed to working in partnership with the federal government to educate the intellectual talent and produce the scientific breakthroughs and new technologies necessary to meet the nation’s most daunting challenges, from ensuring the
health of citizens to finding alternative sources of energy, and from protecting our national security to growing our economy.

They thanked him for the strong leadership he has already demonstrated in support of scientific research and science, math, engineering and technology education in the American Recovery and Reinvestment Act.

They urged President Obama to build upon that demonstrated commitment as the administration crafts the FY 2011 budget.

The American Recovery and Reinvestment Act provide game-changing investments in basic and applied research that will produce the technologies of tomorrow. It provides the largest single boost in scientific research in history. A concern, however, is “Where do we go post-stimulus?”

Those of you representing public universities in government affairs must make sure that our government leaders truly understand the challenges we face.

You play a critical role in communicating contributions of public education, and helping us to identify the best path forward.

**Second is Collaboration.**

A recent news release in September from APLU and AAU identified some of the collaborative research underway as a result of stimulus funding: addressing issues from climate change to cancer, creating jobs and training a new generation of scientists.

People need to see practical ways land grant institutions and other public universities are working together with state and federal governments to resolve some of the most pressing problems facing us today, and how this effort equates to jobs, to opportunities for the future, and to our competitiveness as a nation.

Earlier this fall Georgia Tech’s Provost Dr. Gary Schuster represented us at an international presidential forum on global research universities in Seoul, South Korea. While there he defined collaboration at two levels: Strong domestic and international government funding for basic and applied research, and collaboration in innovation.

No single private organization or public agency has the capacity to fully understand and provide all the holistic green technologies that we urgently need now and in the future in order to solve the most pressing issues facing society today: things like health care, climate change, and clean water. Collaboration between government, academia and business will continue to be vital to both our success and our survival.

On October 23rd, President Obama spoke on the Massachusetts Institute of Technology (MIT) campus, challenging Americans to lead the global economy in clean energy.

In his welcome, he thanked them for the work they are doing to generate and test new ideas that hold so much promise for our economy and our lives. He pointed out that even in the “darkest times this nation has seen, it has always sought a brighter horizon,” giving the example of President Lincoln designating the system of land grant colleges during the Civil War that helped to open the doors of higher education to millions of people.

He talked about innovation and collaboration, giving as an example the world’s peaceful competition to determine the technologies that will power the 21st century. He noted that he believes the nation that wins that competition will be the nation that leads the global economy.
And finally, we need to focus on Innovation.

We need to explore new ways to meet educational needs. For example, some academic leaders are proposing ideas to provide more widespread opportunities for students to earn undergraduate degrees in a shorter amount of time, decreasing costs and helping them get in graduate programs or the workforce sooner. We need to explore ways to provide greater access to education through enhanced distance learning. We can and must revisit the two-semester system and develop other options to make better use of our facilities; and, we must continually work to develop business best practices.

In addition, if we’re going to develop the innovative technologies and teaching methodologies we need for the future, we must develop a vision for the future. What will our educational environment be like in 25 years? Just the thought of predicting the world in 25 years is daunting, especially if you look at how much we’ve changed.

As we look back 25 years, IBM’s first personal computers were just hitting the marketplace – remember the AT and the XT, or the Commodore 64? The first cell phone entered the marketplace in 1984 and it was a brick. It weighed two pounds, cost nearly $4,000 and held a charge for 30 minutes. Today, they are ubiquitous and instead of just talking, people are texting and tweeting. Today, there are more text messages sent and received every day than there are people in the world.

Nineteen years ago the protocol for the World Wide Web was developed. Google.com was formed just over 10 years ago. Fast forward to today, to the Google library project, a project whereby Google is going to digitize every book that’s been written in the English language, over 32 million volumes—and put it in a searchable data base that students who are freshmen today will have at their fingertips when they graduate.

Our challenge is to help them take that tremendous amount of information and turn it into knowledge, because there is a difference.

We must chart a new course for the next 25 years – one that provides greater agility in a rapidly changing environment, enables us to make investments today to better prepare for tomorrow and helps us better serve the state, the region and the nation, through our education, research, creative works and service.

It really raises what I think is a very important question: “What is it that will differentiate our students, our graduates from the college graduates in the rest of the world?”

Close

There is a video on YouTube entitled “Did you know.” It shows several thought provoking messages about our world today. One of them is “We are preparing students for jobs that don’t exist yet, using technologies that haven’t been invented in order to solve problems that we don’t know are problems yet.”

Higher education is an investment in the future. While the global economy is experiencing challenges right now, it is the education that is taking place at our public and land grant universities and colleges that will help turn things around and prepare the next generation of problem solvers.
We in our respective roles can help and in order to do so must communicate, collaborate and innovate. Thank you for your attention and for all you do for your institutions, for higher education and for our country.