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## Lacking Enough State Support

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The global economic crisis promises to aggravate the already troubled financial situations of public universities across the country. My institution, California University of Pennsylvania, is among those that have had to cope with fiscal challenges for a long time. Having watched the decline in public financial support over the 16 years since I arrived as president, in 1992, I can state without fear of contradiction that we are being privatized without a plan.

Indeed, if the trend in appropriations over the past 25 years continues — and it will now probably worsen significantly — zero percent of our budgets will come from our state government. Much sooner than later, we will become, *de facto*, private institutions.

My university is one of the 14 "state-owned" universities and former state teachers colleges that make up the Pennsylvania State System of Higher Education. In 2008, Pennsylvania State University, one of four "state-related" universities — which, while not state-owned and -operated, have the characteristics of public institutions and receive significant state appropriations — received 22 percent of its budget for education and general expenses from the state. We and the other state-owned universities received about 37 percent, similar to what Penn State received 13 years earlier. An extrapolation of the data shows that Penn State can expect its budget share to fall to zero by 2033 — just 25 years from now. Similarly, we can expect to see our budget share from state support drop to zero in 2041, only eight years later.

While that extrapolation focused on the percentage of educational and general budgets supported by the state, an analysis of the actual purchasing power of the appropriated dollars, taking inflation into account, confirms a significant decline over the past 25 years. In terms of constant 2007 dollars, state appropriations fell by 16.5 percent. When coupled with a 35-percent increase in full-time enrollments, that led to a 30-percent drop in inflation-adjusted appropriation dollars per student during that time.

The decline in the share of our budget that comes from state support has occurred independently of the political affiliation of the governor or the majority in control of the House or Senate in

Pennsylvania over the past several decades. It has proceeded under both Democrats and Republicans.

An explanation of the nonpartisan nature of the decline may be seen in America's rapidly changing demographics. In the 1950s and 60s, the majority of households in America included at least one person 18 years of age or younger — that is, someone who could benefit directly from public higher education; today only one of three households includes someone 18 or younger. It would seem logical that support of public colleges and universities might become less of a priority as soon as elected officials of both parties realized that the majority of voting households could no longer benefit directly from public higher education and cared more about health care and crime.

Thus presidents in our state system of public institutions must act schizophrenically. Like private-university presidents, they must raise revenue from private sources. Simultaneously, like the leaders of public institutions that they are, they must operate under onerous government regulations and employ archaic business practices that are no longer relevant in today's environment. Twenty-five years ago, most public-university presidents did not need to be concerned with private fund raising. Today virtually all do. Back then the procurement of needed goods and services at public universities was complicated, bureaucratic, and slow. Today it still is.

For example, current state regulations require that any purchase in excess of \$10,000 (one-hundredth of 1 percent of our university's \$100-million educational and general budget) be handled through a lengthy competitive-bidding process. Similarly, the hiring regulations that apply to our 800-member staff require searches typically lasting three to six months.

The most onerous regulations, however, follow from the lack of independent counsel for the Pennsylvania State System of Higher Education. (The general counsel to the governor appoints the legal counsel for the system.) That lack has resulted in conservative interpretations of various applicable laws and, more specifically, in the key legal opinion that tuition received from the personal checkbooks of students and parents must be regarded as "state dollars," thereby limiting the uses to which those funds can be put — so the state system itself, for example, offers no need-based scholarships for low-income students.

Since my institution and other public universities in the system are operating at the same percentage of state financial support today that Penn State, a state-related university, did just 13 years ago, one can logically ask, "At what level of state support does a 'state-owned' university become 'state-related' in terms of a release from those state regulations from which state-related universities are currently exempt?"

The state should work with the Pennsylvania State System of Higher Education to develop a multiyear plan for converting, in an orderly fashion, those state universities into private institutions, rather than allowing the current unplanned disinvestment in public higher education — privatization without a plan — to continue as it has for many years.

Universities like ours, created by and subject to law as well as a plethora of other policy directives, confront many obstacles to excellence. As we become increasingly privatized over the next 20 or 30 years, those of us in public institutions must work with state policy makers to develop a new operating paradigm that will enable us to preserve our mission — providing high-quality education at the lowest possible cost to students — even as our state support continues to erode.

The only stable paradigm that I can see emerging is what I would call "privatization with a plan." I doubt that we will see a reversal of the downward trend in public support for public higher education, although we may see a leveling off at around 10 percent. For that reason, it is important that we focus on trying to remove, as part of the "plan," the restrictions that keep us from operating as well as we could as eventually private institutions.

What we have witnessed in the past 25 years is simply democracy at work — majority rule in a time of shifting demographics. It's just unfortunate that the majority of voting households have different priorities than those of us who continue to believe in the crucial importance of public higher education to the future of our country. We can only hope that, before we reach zero state support, restrictions will be lifted, giving us the flexibility that we desperately need.

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