

N A T I O N A L CROSSTALK

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Florida's Unnatural Disaster

The state's economic bubble has burst, leaving higher education in a double bind

By Jon Marcus

TALLAHASSEE, FLORIDA

WHAT FLORIDA NEEDS right about now is a hurricane. Not a major one that hurts anybody, T.K. Wetherell, president of Florida State University, is saying. Just big enough that people use their homeowners' insurance to buy roofing materials, new air conditioners, and other goods.

Wetherell is kidding—more or less. Considering that Florida has no income tax and depends almost entirely on sales taxes for government revenues, hurricanes over the last few years have generated

jackpots for the state and, in turn, its higher education system. Recessions like this one, on the other hand, have proven unnatural disasters.

Even as Wetherell spoke, the legislature, meeting just a few blocks away, had just sliced another \$114 million from Florida's 11 public universities, or nearly five percent, to help close a \$2.3 billion budget shortfall. That was on top of a \$174 million decrease imposed just a few months before. The state's budget has shrunk by \$8 billion since last year, and even more money is likely to be slashed later this year, by which time revenues are expected to be another \$2.5 billion shy of original projections.

Add to this a history of political pressure that has forced the universities to open branch campuses all over the map but has prevented them from raising tuition above a level that remains the lowest in the country, and the situation in Florida may be as bad as it gets for higher education. All of this is happening in a

state where the population growth, while slowing, remains the sixth highest in the nation, and at a time when a flood of people who have been laid off—or expect to be—need career retraining, putting huge pressure on besieged community colleges.

"It was destined to crash at some point," said Wetherell, who has

watched the evolution of this problem from all sides as a former speaker of the state House of Representatives and former president of Tallahassee Community College. "It's the worst I've ever seen in my tenure in education or politics, and I



COLIN HARKLEY, BLACK STAR FOR CROSSTALK

Florida's budget condition is "the worst I've seen in my tenure in education or politics," says T.K. Wetherell, president of Florida State University and former speaker of the Florida House of Representatives.

was speaker in 1991 and '92, which was the last big one. That was mild compared to this. All the chickens have come home."

What they've brought with them to FSU is an abrupt \$45 million worth of cuts

continued next page

Virginia's public colleges and universities also face financial problems. Jon Marcus describes the situation in an article on page 5.

Saudi King's Modern University

Partnerships are sought in attempt to establish a world-class institution

By Robert A. Jones

BERKELEY

LATE IN 2007 the Chancellor of the University of California at Berkeley, Robert J. Birgeneau, took a call from Frank Press. Press is the 84-year-old former President of the National Academy of Sciences, former science advi-

up the phone.

This time Press was calling with an intriguing proposal. He wanted Birgeneau to consider lending Berkeley's prestige and assistance to a new project in Saudi Arabia, the King Abdullah University of Science and Technology. The university, known by its acronym KAUST, was about to rise out of the sand just north of Jeddah on the Red Sea. The ambitions for the university were very high and would be abetted by an initial endowment of \$10 billion and maybe much more.

Initially Birgeneau was skeptical. Berkeley's reputation for high political sensitivity did not seem a good fit for a partnership with Saudi Arabia where women cannot drive cars, and where holders of Israeli passports cannot enter the country. Birgeneau peppered Press with questions. Would the University be open to all? Would classes be segregated by sex? Would religious discrimination be practiced against non-Muslims?

"These were the obvious questions," Birgeneau recalled. "I knew we could not participate in the enterprise if all groups



ROD SEARCEY FOR CROSSTALK

Chancellor Robert J. Birgeneau agreed to UC Berkeley's partnership with Saudi Arabia in developing a new university. So far, the arrangement has brought Berkeley about \$36 million in research grants.

were not going to be treated equally."

But soon, and somewhat to his surprise, Birgeneau found himself convinced by Press that King Abdullah bin Abdulaziz Al Saud, Custodian of the Two Holy Mosques, was serious in his attempt to create a modern university in the western mold. Birgeneau agreed to take the next step, and soon a contingent of Saudis arrived to formally propose a five-year collaboration between the premier campus of

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The university that is about to rise out of the sand just north of Jeddah on the Red Sea would be abetted by an initial endowment of \$10 billion and maybe much more.

sor to President Jimmy Carter, distinguished seismologist, and an *eminence grise* in American higher education. When Press calls, university leaders usually pick

In This Issue

GOVERNORS, legislatures and higher education officials are urged not to allow the current recession to deter efforts to make colleges and universities more accessible and more affordable. (See special insert.)



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FLORIDA

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so far this academic year alone. The university has eliminated 250 positions and canceled plans to hire 100 new faculty. Teaching loads for existing faculty have increased, and at least 62—including some of the brightest stars, 27 of them tenured and 35 on the tenure track—have quit since August, many for higher-paying jobs at universities with more stability. “We lost people we didn’t want to lose,” said Wetherell. “They’re thinking, ‘I don’t need to put up with this anymore.’”

Classes are growing larger, and more of them are being led by teaching and graduate assistants and adjuncts; the student-faculty ratio in Florida is more than 31 to 1, compared to the national average of 25 to 1. The planned completion of a \$100 million campaign called Pathways to Excellence to boost Florida State University’s national reputation has been pushed back by at least two years. Journal subscriptions, professional memberships and travel have been curtailed. So have mail delivery, trash collection and landscaping. Even the university’s National Magnetic Field Laboratory, which is the source of almost as much pride as its football team, has had its hours shortened to save money on utilities.

But perhaps the most widely felt move is a dramatic cutback in the number of freshmen the university accepts. Florida State took 5,053 this year, down from 6,326 the year before, and might cut the number further in the fall. This would shut out students previously considered qualified to join the lucky 39,136 who have won the privilege of attending this historic red-brick campus, with its carefully manicured grounds and Spanish moss draped from the branches of huge old oak trees—landscaping cutbacks or not—in the slow-paced, southern-accented state capital.

The University of Florida has also cut its freshman class, by 1,000 students, and the University of South Florida has frozen its enrollment.

And that’s just the beginning. Some estimates predict that the state’s four-year universities, which together have 300,000 students, will collectively shrink their enrollment by as many as 17,000, even while demand continues to increase. At both Florida and Florida State this year, for example, there were more than 20,000 applicants for those coveted, fast-disappearing places in the freshman class. To get into the University of Florida last fall, the average freshman needed an SAT score of 1293; at Florida State, 1261. The universities are also losing hard-earned

minority enrollment. The number of black students in the entering class fell 27 percent at the University of Florida, 15 percent at FSU, and 23 percent at the University of South Florida.

These cuts at the public four-year universities have pushed more students onto community colleges, which have open admissions, and whose enrollment is soaring while their own resources are in freefall. The same week the universities lost \$114 million in state funding, the state’s 28 community colleges were cut by a collective \$44 million.

As with many things, Florida provides an extreme example here, too, of what is happening more slowly elsewhere in the country: the creation of a two-class system in which largely white graduates of private and suburban public high schools enjoy the prestige of attending four-year flagship universities, while urban, rural, low-income and non-white students fill beyond capacity the classrooms of community colleges.

“The fact of the matter is we’re serving a population that the universities refuse to serve,” said Eduardo Padrón, president of Miami Dade College—a community college in the throbbing heart of Miami that is now the largest institution of higher learning in the United States, with nearly 165,000 students. “We’re open-door, while the universities are becoming more selective, limiting enrollment, requiring higher SATs and GPAs. The result of that is we’re getting the bulk of the students.”

Bridging neighborhoods of bodegas, exotic-smelling cafes Cubano, and check-

The Florida Legislature sliced \$114 million—on top of a \$174 million cut imposed just a few months before—from 11 public universities, to help close a \$2.3 billion budget shortfall.

cashing stores on one side, soaring new condo towers and the Miami cruise-ship port on the other, the main campus of Miami Dade has, if not a grassy quad, at least a brick pedestrian plaza. But rather than scattered students strolling unhurriedly from one class to another, it teems with people of different hues and speaking different languages walking briskly or standing in long lines everywhere, from the office where they pay their bills to the entrance to the parking garage that seems to be the largest building at the college.

Miami Dade has the highest number of Hispanics, and the second-highest enrollment of blacks, of any college or university in America. Nearly 60 percent of its students earn \$25,000 or less, and half of those live below the poverty line. They come from 192 countries and speak 93 languages, and most are the first in their families to go to college.



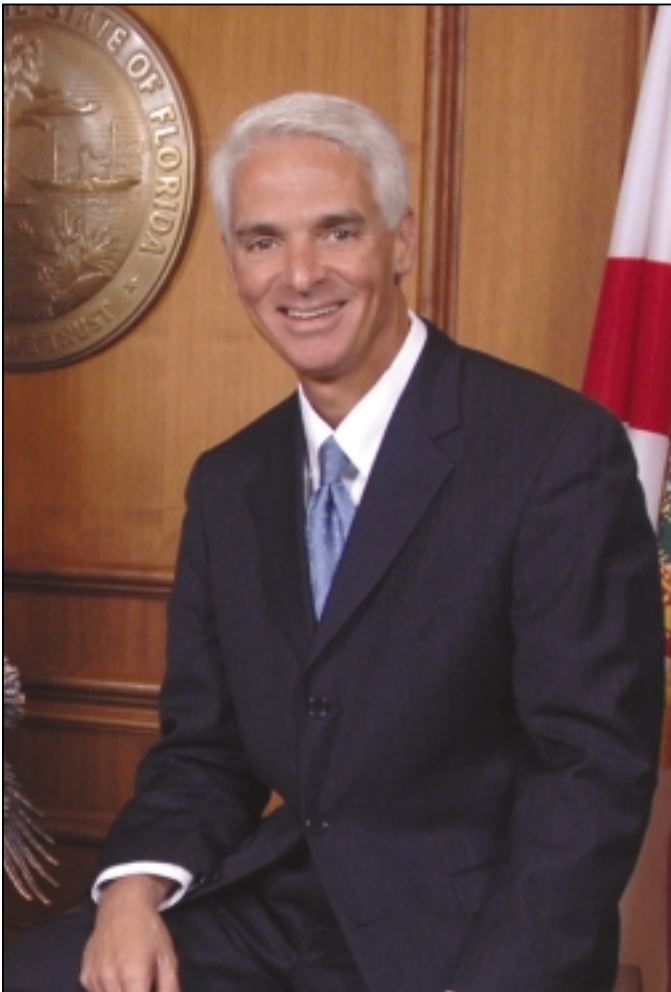
LEN KAUFMAN, BLACK STAR, FOR CROSSTALK

“The fact of the matter is we’re serving a population that the universities refuse to serve,” says Eduardo Padrón, president of Miami Dade College, the largest two-year college in the U.S.

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for copies of two recent National Center reports — one offering suggestions to state officials on the best uses of federal stimulus money, the other tracing the erosion of the California Master Plan for Higher Education.



Florida Governor Charlie Crist has had to abandon the state's low-tuition policy, agreeing to increases of up to 15 percent a year at some campuses.

Community college enrollment in Florida is up 14 percent in the last two years, to more than 800,000 students, even as funding plummets. Yet unlike the four-year universities or even primary and secondary public schools in Florida, the state's community colleges aren't funded ahead of time for their predicted enrollments, but are allocated money based on a rolling average of the number who attended in the previous three years, which means they are constantly falling behind. "When it comes to funding, community colleges are the

Florida's bubble has burst. Long dependent on real estate, tourism and construction, the state has gone from leading the nation in job creation to leading in job losses.

Cinderellas of the system," Padrón said. "We get the money after the fact, if we're lucky."

One upshot of this is that Miami Dade is getting no money at all from the state for 13,000 of its students—equal to the total that attends the private University of Miami in nearby Coral Gables. The college's facilities are 40 percent over their capacity. Students say that as many as 60 of them at a time are being packed into what are supposed to be seminar-style classes, forced to scrounge around the corridors for desks, or at least folding chairs, and taking notes on their laps.

Evidence of why the college is so crowded, and why Florida higher education is in so much trouble, is all around the campus. Those pricey condo towers are largely empty, cruise-ship bookings have flattened out after years of increases, hotel occupancy is way down, and things are slow at the fancy shopping mall across Biscayne Boulevard, even on a sunny, 78-degree winter day. All of which means less sales taxes being collected—a staggering \$31.4 billion less in the next four years, economists predict—an amount equal to half the current annual state budget.

Florida's growth machine fueled, and was fueled by, the state's historical aversion to taxes. Low taxes, after all, attracted the retirees, and, later, families with children,

who moved here. Now, after years of breakneck population growth that kept government coffers flowing, Florida's bubble has burst. Long dependent on real estate, tourism and construction, the state has gone from leading the nation in job creation to leading in job losses, and from the lowest unemployment rate to the ninth highest. The construction industry alone has shed 79,000 jobs. Florida is second in foreclosure filings, and 300,000 homes remain unsold, six times the previous average. From first in the country in the value of its gross domestic product, Florida has plunged to 47th.

When times were good, politicians seldom had to make particularly hard decisions about how to spend the money. Now, like T.K. Wetherell's chickens, that legacy of political expediency also has come home. Years of haggling over control of it has had the effect of leaving all levels of the state's higher education system particularly vulnerable to the worsening recession.

Governance of public higher education after World War II was assigned to the seven-member Florida Board of Control, which in practice controlled very little, while the legislature micromanaged universities and colleges. The same was generally true of its successor agency, the Board of Regents, set up in 1965. By the 1990s, legislators decided to rid themselves of the regents, who often got in the way of their plans for campuses in their home districts. The end for the board came in 2001, when it resisted Governor Jeb Bush's resolve to eliminate affirmative-action policies at public universities. Bush pushed to replace the Board of Regents with boards of trustees for each school. Instead, the next year, distrustful voters approved a new

Board of Governors, ostensibly to run the universities independently of both the legislature and the governor.

It didn't work out that way. Bush stacked the new board with political allies,

Community college enrollment in Florida is up 14 percent in the last two years, to more than 800,000 students, even as funding plummets.

including a conservative radio talk show host. It had the distinction of being, according to consultants hired by the board itself, "the least-experienced higher education entity in the country."

Meanwhile, legislators continued to demand new branch campuses, which the consultants (from the Connecticut-based Pappas Consulting Group) found were undersized and overly expensive but were politically popular. The Board of Governors approved new medical schools at Florida International University and at the University of Central Florida, in addition to the two that already existed and the one at the University of Miami, for which the state provides financial support. The price was so high, the consultants said, it could have paid for up to five new universities.

A prepaid tuition program locked in the cost of tuition, fees and housing from the time a family opened an account. And a much-heralded new scholarship program to be paid for with lottery proceeds, Bright Futures, was launched to reward students who met certain academic criteria with up to full tuition at a public university, whether or not they had financial need for it. These things also were wildly popular with voters, as was Florida's consistently low public university tuition, which remains the cheapest in America—from \$3,400 to \$4,000 a year, depending on the campus. But the consultants proved to be killjoys at the party. "All of these economic decisions, while fueled in many ways with good intentions, will bankrupt the state's higher education system," they warned soberly.

In fact, Bright Futures, which one Florida newspaper called a middle-class entitlement program, will cost \$436 million this year, even as falling discretionary income has left lottery revenues flat. It is so expensive that it has drained money from need-based financial aid, which now accounts for barely 20 percent of all state tuition assistance. That puts Florida 42nd among the 50 states in the availability of need-based financial aid. And one in five students now at Florida universities and colleges has a prepaid tuition contract, meaning their tuition cannot be raised more than 6.5 percent per year.

Tuition itself has been the thorniest problem of all. Legislators haven't wanted to increase it, because every time tuition goes up, they have to spend more on the ravenous Bright Futures scholarships. As for the governor, Bush's successor, Charlie Crist, vetoed a proposed five percent tuition increase just two years ago. It was the wrong time to raise tuition, he said, when residents were facing increases in property taxes, insurance rates and gas prices. In response to criticism about the veto from university presidents, he told an interviewer they could hand over their jobs to someone else.

Crist has since changed his position in the face of the widening hole in his budget, allowing a "premium tuition increase" of up to 15 percent for Florida State, the University of Florida, and three other of the largest public universities. Flanked by the mollified presidents, he has also announced his support for extending the same tuition flexibility to the rest of the campuses, letting them raise their own tuition by up to 15 percent a year until it reaches the national average. The University of Florida, for instance, which now charges \$3,788 a year, would reach the national average tuition of \$6,900 by 2015, bringing in about \$21 million in new revenue. For an average student, the cost of attending a Florida public university next year would go up \$370. In all, the plan would raise \$1.5 billion over seven years,



"A lot of people come here just because it's cheaper," says Ricardo Chirito, a freshman who chose Miami Dade over more expensive Florida International University.

and nearly a third of that would be earmarked for need-based financial aid.

The proposal is awaiting action by the legislature, and a ruling in a typically Floridian lawsuit over who exactly has the right to set tuition, the legislature or the Board of Governors. There also is concern that lawmakers will use the money from tuition increases to supplant, rather than enhance, its state appropriations—a bait and switch about which the loudest warnings have come from Senator Bob Graham, a former governor and a long-time advocate of higher education. After

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all, Graham said, that's what happened when they decided to use lottery proceeds to pay for public education. Instead of supplementing the state appropriation for schools, the lottery revenues replaced it.

Resistance to increased tuition is lessening. As growing numbers of middle-class high school graduates started to be turned away by their first-choice four-year universities, Floridians surveyed last year said they were willing to pay more to keep the campuses afloat.

Nodding toward the window of his office, Wetherell used a favorite example:

Barely a quarter of adult Floridians have a bachelor's degree or higher, compared to more than a third in other states.

His grandson goes to private kindergarten "right here in Tallahassee, for \$8,000 a year," more than twice what it costs to go to Florida State. "I don't care who you are—liberal, conservative—you can't run a major research university on half a kindergarten tuition." Students, he said, who pay more for their cell phones than for their educations, were willing to shoulder more of the burden.

Opinion was slightly more mixed outside on the campus. "Students need to step back and realize it's not as bad as it could be," said Sarah Benvenisty, a freshman whose parents have a prepaid tuition account and who also receives a Bright Futures scholarship. It's also cheap to live in Tallahassee, her friend, Aaron Saltz chimed in. Still, he said, as the recession deepens, an increase will not be easy for students or their parents to pay. "No one has money any more. And we don't have time to work."

Asia Williams, a junior, agreed. "We

just don't have the money," she said. "We'll have to turn to loans, which will bury us deeper," her classmate Michol Wimberly added. "Cut it from something else. Not education. That's how you get ahead."

Aside from Graham, businesses have become the biggest advocates of Florida's beleaguered public universities—partly for the very reason Wimberly cited. Improving higher education, they believe, is how Florida can get ahead, diversifying its economy and dodging downturns like this one in the future. It was businesses that lobbied Crist to let the universities increase their tuition, complaining that Florida ranks 46th in bachelor's degree production, and 47th in degrees in science or technology—important measures of its economic competitiveness. Barely a quarter of adult Floridians have a bachelor's degree or higher, compared to more than a third in other states.

But even double-digit increases in tuition seem unlikely to undo the damage of the chronic underfunding of the higher education system here. Constantly feuding with the legislature, it turns out, was the wrong way for the Board of Regents and the Board of Governors to win higher state appropriations, which climbed by just under 65 percent in the last ten years. That places Florida at 44th among the 50 states. New York, by comparison, increased its higher education spending 76 percent during the same time period, and North Carolina 86 percent. With less than half the population, North Carolina now spends about the same as Florida on public higher education.

The same day Wetherell was expounding about the impact of the budget cuts on FSU, his hometown *Tallahassee Democrat* was editorializing bitterly that Floridians "live in their fantasy of wanting what they want, but paying naught." Among the state's many retirees especially, said Wetherell, "There's a mentality of, 'I did my job in Ohio or New York, or wherever. We've done our deal on education, and I respect it, but I don't want to pay for it

anymore.'"

Meanwhile, students continue to trickle down—it's actually more of a flood—to even less well-funded community colleges. More than half of Florida students already end up there, compared to the national average of 45 percent. "Students who don't get into the universities come to places like Miami Dade because, I guess, they think we have room," said Ophelia Somers, president of the Student Government Association at the college's main campus. But room is a long-lost luxury.

"When I first started out here, during registration, you would have to wait, but it was only 20 minutes or so," Somers said. "Now you'll be in a line of 200 people. Class size has gone up a lot. The classes you need to take are filled way before the beginning of the semester. They can't open up more because there aren't enough professors or classrooms."

And for students at places like Miami Dade, Padrón said, increasing the price is more than an inconvenience. "For our students, raising tuition a few dollars

could be the difference between putting food on the table or not," he said. The average family that sends a child to a community college in Florida pays 25 percent of its income to do so, up from 18 percent ten years ago. That is a larger percentage than is paid by families that send their kids to a four-year public university.

"A lot of people come here just because it's cheaper," said Ricardo Chirito, a freshman and the son of Colombian immigrants. Chirito could have gone to four-year Florida International University but chose to attend the vast expanse of pre-cast concrete that is Miami Dade's campus in the strip-mall Miami suburb of Kendall. "I hate to say it," said Christian Moreno, Kendall's student-government head, but if tuition goes up—and it almost certainly will—"people are going to drop out."

Yet when voters statewide were asked in November to let counties have the authority to raise their sales tax half a cent to pay for community colleges, the measure—also pushed by businesses—was defeated. "Some people don't view community college as important," said Moreno, who graduates in May from Miami Dade's honors program and plans eventually to go to law school. "They see it as vocational. But the level of maturity here is probably higher, since students have to juggle a lot of things."

"Community colleges are constantly underestimated," added Somers. "People in Florida—people everywhere—have a lot of bias against community colleges. But we truly represent the fact that everybody deserves the right and the privilege to learn. We may get that student from an urban neighborhood, but that student will come out of here being able to converse with different cultures and handle diverse



Christian Moreno, a student government leader at Miami Dade's Kendall campus, says "if tuition goes up—and it almost certainly will—people are going to drop out."

situations, and go to any job and any career, and do well."

Students also worry that cash-strapped four-year universities will stop honoring articulation agreements that guarantee them the right to transfer in as juniors, assuming they meet certain standards—especially as their numbers continue to swell. Already, more than 15,000 community college graduates move on to four-year universities each year. Their concerns may be warranted. "If you assume that that wave is coming through, we can't handle 'em," said Wetherell. For now, however, he is sticking to the guarantee.

Currently, with that wave approaching, the four-year universities overloaded, and businesses pushing for more graduates with bachelor's degrees, there are plans to let some of the community colleges grant four-year degrees in high-demand fields including nursing and teaching. Eight, including Miami Dade, already do so.

There is also a proposal to change the way the higher education system is governed, for the fourth time in ten years. It calls for an elected commissioner of education, and would do away with the appointed Board of Education, whose role would be taken on by the elected cabinet officers. It also would include a statewide coordinating board for community colleges.

The idea is to eliminate the constant battle for control, and to refocus attention on fixing Florida's embattled public higher-education system.

Or, there could be another solution, Wetherell joked: "You could also give me a little hurricane." ♦

Jon Marcus is a writer based in Boston who covers higher education in the U.S. for the (U.K.) *Times Higher Education* magazine.



Miami Dade student leader Ophelia Somers says class size has increased, and courses needed for graduation often are not available.

Hard Times

Tuitions rise, services cut, as university officials try to ride out a severe economic downturn

By Jon Marcus

WILLIAMSBURG, VIRGINIA

A CHILLING DELUGE poured from thick black clouds above the College of William and Mary, whose campus, darkened to a bleak gray, seemed deserted but for the occasional unlucky student splashing through the mud to class.

The mood indoors matched the weather. Along with other Virginia public uni-

Many are warning that this recession will affect higher education in ways that require considerably more drastic action than trimming at the margins or asking for a handout from the feds.

versities, William and Mary had just suffered a seven percent cut in its state appropriation. The university also depends in part on an endowment that had lost an even more dramatic proportion of its value. Increasing numbers of students, whose parents were suffering layoffs or business reversals, were asking for more and more financial aid. And donors, their own investments drying up, had less and less to give.

"We really are a good case study for

the perfect storm," said the university's president, Taylor Reveley, as rain coursed down outside the windows of his office in a stately building that dates from 1723. "And we're still early in feeling the full force."

The university has so far responded with small steps. It has shaved \$2.1 million from its \$245 million budget by delaying a three percent pay raise that was to have taken effect in November, and by doing such things as canceling library database and journal subscriptions. It imposed but then largely lifted a hiring freeze. It considered but decided against a mid-year tuition hike. And it has promised no layoffs on the main campus, no salary reductions, and no cuts in student aid.

"If what we're looking at is another bad 18 months—that is, finish this academic year and then one more year that's in the ditch—we'll try not to cut into muscle and bone," Reveley said in his folksy manner. "If instead we're looking at an ever-deepening recession for three to five years, that's going to force some very difficult decisions. Nobody knows right now. What we're trying to do is proceed on the assumption that this is going to last 18 months, and that will be it, and I think that's what everybody else is doing too."

This seems widely to be true. Universities also have joined the line of bankers and automakers asking for money from the federal government—\$1.8 billion for new science and engineering faculty, \$150 million for research into energy alternatives, huge increases in tuition grants, and an unspecified amount for infrastructure, according to a wish list submitted by the Association of American Universities. Otherwise, even as corpora-



Taylor Reveley, president of the College of William and Mary, a Virginia public university with 7,700 students, says if the recession lasts longer than another 18 months, "that's going to force some very difficult decisions."

tions furiously shed jobs and try to increase productivity, university officials seem to be hoping they can ride things out. After all, they have survived economic downturns before.

But a chorus of voices is warning that this recession will affect higher education in ways that require considerably more drastic action than trimming at the margins or asking for a handout from the feds. Deferring the inevitable, they say, is to be in denial.

"In this financial crisis, it cannot be business as usual," said Stephen Golding, vice president for finance and administration at Cornell University. "The nature of this challenge is so much greater than any of us have seen in higher education before. If we're going to continue to teach, if we're going to continue to do research, if we're going to continue to provide students access to our institutions, we have to stop doing other things that don't support the core mission."

The new problems come on top of existing financial demands, such as billions of dollars in needed maintenance, tightened credit, and unfunded mandates such as requirements for security around research labs. But behind their sense of urgency, and a frustration with the mission creep and academic arms race that has left it even harder to contain costs, higher education finance leaders see something surprising in this latest financial predicament: opportunity.

"The phrase I hear people around here use is, don't waste a crisis," Golding said. "Let's go after things we've known are among our inefficiencies and make them better."

Many critics "would suggest that higher education is a bit slow to change and respond, given its very traditional and academic nature," said Daniel Hurley, who is watching this scenario play out in his role as director of state relations for the American Association of State Colleges

and Universities. "There is nothing like a recession to instill a greater sense of urgency. Rather than whine about the cuts in state support, let's look at the flip side: What can we do to make ourselves stronger? We need to seek, and seek very actively, the silver lining in this economic downturn."

Golding, who previously worked in the private sector as head of philanthropic services for Morgan Stanley, cited that company's sale of its Discover Card division in 2007 as a model. "When Morgan Stanley started going into the tank, one of the first questions was whether or not to jettison Discover Card and allow the company to focus on its core mission of investment management. For institutions of higher education the challenge is to be able to define what makes you the institution that you are, and to sustain those things while

Universities have joined the line of bankers and automakers asking for money from the federal government.

identifying where there are opportunities to evolve or reprioritize." (In this context, "reprioritize" seems like a euphemism for "cut.") Or, as Terry Meyers, a professor of English and philosophy at William and Mary, put it, "What's fascinating to me to watch is what businesses do in this kind of situation. They sit down and say, what is our core mission? And that's what higher education needs to do."

This points to another reason why it is hard for universities to respond to economic downturns: There are so many interests to attend to. Reveley, for example, held public meetings at William and

continued next page



Although its operating budget is tight, William and Mary presses on with an ambitious new building program.

from preceding page

Mary about potential budget cuts, though he said that, in the end, the tough decisions must be made from the top down. Yet, when the chancellor of the Tennessee university system proposed, among other ways of dealing with a 20 percent reduction in state appropriations, adding more online teaching and requiring upperclassmen to tutor underclassmen, the head of the faculty senate at one Tennessee uni-

Increasing numbers of students are asking for more and more financial aid. And donors, their own investments drying up, have less and less to give.

versity described it as a “radical attack,” and students protested outside the fall commencement.

“Not many of the tradeoffs are willingly offered,” Reveley said. “Once we begin making those choices, we almost immediately hear, ‘There has been a reduction in this, that, or the other thing that is important to me—why are you doing this?’” In higher education, Hurley said, “there is a long history of perhaps a compulsiveness about including everybody. That’s exactly why there isn’t change in higher education. And that’s where bold leadership comes in.”

Many critics agree with Reveley, and contend that campus leaders have to lead—especially considering that universities have defended years of spiraling salaries for presidents by comparing them to corporate CEOs. “We are in this mixed model of feeling we have to pay these people like superstars. Then we wonder, what do we get for it?” said David Breneman, director of the University of Virginia’s master’s program in public policy, who studies the economics of higher education.

“If university presidents are truly leaders, they have to make painful, bold deci-

sions that are going to be unpopular,” said Richard Vedder, an Ohio University economist who also follows higher education finances. “This is the time they need to earn the big bucks by showing leadership and cutting costs.”

One way of doing this is to reduce duplication, which is rampant on university campuses, to hear some managers talk of it: duplicate e-mail systems in different departments, duplicate facilities management, duplicate administrative offices. “These replicative services simply drive up the cost of our operations,” Golding said. Streamlining them is one way to cut spending, he said; sharing resources among not only departments within a university but among universities within a state or an even broader purchasing consortium is another. “We refer to this as strategic sourcing, where you get into a group and go to Microsoft and say, ‘We’ll guarantee you 80 percent of what we spend, and what’s your best deal?’”

Some schools already do this; others have resisted it. When William Glavin, a onetime Xerox vice chair, became president of Babson College, he tried to get neighboring universities to collectively negotiate for lower prices on such things as health insurance, and to merge their information-services departments. “There’s one school in particular where the president was totally in support of what we were trying to do,” Glavin said. “And this president couldn’t get her own subordinates to do it, because it meant that there would have been fewer of them.”

Now there might have to be fewer of them. The number of support staff at universities has swelled, from three for every student in 1976 to more than six today. In fact, the proportion of university spending that goes directly toward instruction has declined over the last ten years, according to the Delta Project on Postsecondary Education Costs, Productivity and Accountability, an ongoing foundation-supported initiative to gather data that can be used to improve the management of higher education costs. “The explosion in non-teaching professional staff that has gone on—PR specialists, wellness coordinators, diversity czars, associate provosts...I expect to see some major paring in what you might call the bureaucratic armies,” said Vedder.

It is demand from students and their families that has helped drive the rise in the number of those non-faculty employees and the services they furnish, while also driving the construction of pricey dorms and fitness centers, food courts and other amenities. Another factor is the increasingly influential university rankings, although, said Breneman, “those just measure wealth.”

Concessions on both

fronts might be necessary. The question now, said Golding, “is not just what we can do in the sense of streamlining it, but also, quite frankly, in managing expectations.”

Students might be willing to forgo some luxuries to avoid the kind of tuition increases universities project. “I think the students are smarter than we give them credit for,” Vedder said. “There are a lot of things they would get rid of that the university doesn’t want to get rid of because it’s going to gore the ox of special-interest groups.”

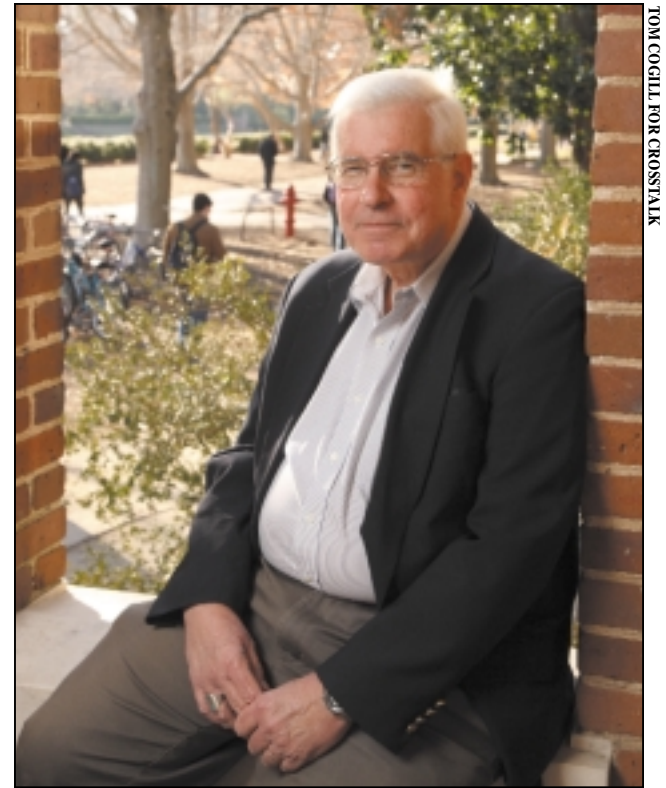
Intercollegiate athletics, said Vedder, is the quintessential example. “If that were put to a student referendum, to not have to pay that, and get out of intercollegiate athletics completely, it would probably pass,” he said. “When you start seeing huge increases in class size and laying off lots and lots of people around campus, the campus community is going to be in an uproar if the athletic department is exempt from all this.”

Meyers, in fact, has long proposed that William and Mary’s required fee for intercollegiate athletics—this year, \$1,259 per student—go instead to academics, while alumni be hit up to pay for sports. “If this really is the worst financial crisis since the Great Depression, if things are really that dire, you’ve got to take a serious look at what the university is here for,” Meyers said.

Students think so, too. The independent William and Mary student newspaper, the *Virginia Informer*, recommended its own budget cuts. “I don’t think it’s that students are expecting so much,” the editor, Andrew Blasi, said. “Universities just provide it out of concern they won’t be competitive. The university could be doing a much better job of finding places to cut costs,” he said, especially when “the only alternative right now is to increase tuition significantly.” In a survey, the organization Public Agenda found that 56 percent of Americans think universities can find ways to spend less without jeopardizing quality.

Student amenities and university rankings are not the only competitive elements that have been driving up the cost of higher education. Another is the dog-chasing-its-tail quest by universities to match the faculty salaries of their peer institutions. William and Mary is behind in this race, and Meyers said some of his colleagues have begun to look for new jobs. But the reality is that, as many universities impose hiring freezes, there are precious few places to go. And the salary chase is almost certain to slacken.

“There’s this bidding war that’s been occurring with faculty, not unlike what’s been happening with college coaches, and I believe, along with many others, that that is out of hand,” said Stan Nosek, vice



Terry Meyers, a professor of English and philosophy at the College of William and Mary, is a harsh critic of some campus spending practices—especially intercollegiate athletics.

chancellor for administration at the University of California, Davis, and chairman of the National Association of College and University Business Officers. “Do I think that’s going to slow down? Yes.”

New construction will slow down, too. “That saves us cash and debt service,” Golding said. And new buildings have to be lighted, heated, cleaned and staffed. Even Harvard has announced that it is “reconsidering the scale and pace” of its already begun expansion on the Boston side of the Charles River.

Nevertheless, a handsome new school of education building is going up outside Breneman’s window at the University of Virginia, and construction is taking place everywhere on the William and Mary campus—new schools of business and education, a state-of-the-art science center,

Students might well be willing to forgo some luxuries to avoid the kind of tuition increases universities project.

and renovations to the law school, student recreation center, dining hall, and more. “I don’t think if we knew that we were coming into this international flapdoodle that we wouldn’t have built, but it does put pressure on the budget,” Reveley said.

Universities also will have to make better use of the buildings they already have. Some are empty on Fridays, weekends, and all summer, critics complain. “Let’s face it, the square footage of a typical university facility is probably occupied 40 or 50 percent of the time of a similar facility in the private sector,” Vedder said. Nosek said this is already changing. “We have gone through a transition where you



David W. Breneman, director of the University of Virginia’s master’s program in public policy, questions the need to pay campus leaders as much as some corporate CEOs.

don't see that Friday-at-3:00-it's-a-ghost-town," he said. Still, he added, "there are more opportunities there." (Some schools are shortening the time they are open. The University of Louisiana at Monroe, for example, has cut the work week to four and a half days, saving \$400,000 a year in utility costs.)

Instead of building, many universities are making infrastructure improvements that will cut costs in the long run. UC Davis, for instance, just spent \$900,000 retrofitting parking lots with new lighting that will pay for itself within four years. A survey conducted by the American Association of State Colleges and Universities found that energy management is the top area of cost containment by universities. And "there's still low-hanging fruit at many colleges and universities for this," said Nosek.

There are considerably more dramatic methods to change the way that universities do business. One is differential pricing—basing tuition on the actual cost of teaching different disciplines. "A lot of people have problems with that at the undergraduate level," Nosek said. "But at the graduate level, shouldn't you be paying more for a veterinary degree or a medical degree" than for a lower-cost humanities degree?

Some schools have considered charging less for courses on the weekends, to maximize the use of faculty and classrooms. Hurley said instructional delivery is a major area for savings. "If there can be some innovative changes in that sphere, that would be a real breakthrough," he said. One example is hybrid courses, taught partly online and partly in the classroom. Another is William and Mary's plan to allow undergraduates to earn a combined bachelor's and master's degree in public policy, in an accelerated five years instead of six.

There are also likely to be calls for greater productivity from faculty, said Vedder. "As the cost of teaching per credit

hour among full-time faculty has gotten much, much higher than for adjunct faculty, or online faculty or graduate student faculty, I think it's a place where you're going to have to see some changes," he said. Universities will be more reluctant to put newly hired teachers on the track to tenure, for example. "You certainly don't hire any more tenured faculty, but you switch as much of the teaching as you can into these non-tenured faculty. Or, rather than saying, 'Professor X has retired this year so we're going to replace him,' they're going to say, 'No, professors Y and Z will fill in.'"

One effort to reduce costs that is already under way is the Kuali project, a prime example of strategic sourcing, started by Indiana University, the University of Hawaii, the National Association of College and University Business Officers and others to develop open-source software that can replace the hugely expensive commercial software universities need to manage payroll and other functions. And after years of trying to ignore them, mainstream universities now are looking for lessons in the way for-profit and proprietary schools do business—bringing classes closer to where students live, for example, and maximizing the use of space.

The hunger for more revenue, in place of state government appropriations and endowment yields, has some schools boosting their ranks of foreign students who pay full tuition. The University of California at Berkeley tripled the number of foreign students it admitted this year, and plans to raise it again next year. There also is a spirited debate under way in California about whether public universities should increase the enrollment of higher-paying out-of-state students, following the example of universities in Michigan, Virginia, Vermont and elsewhere that already are vigorously recruiting such students. At the College of William and Mary, 35 percent of the students come from out of state.

Students will almost surely feel the most pain. More than two-thirds of private colleges and universities plan to increase tuition next fall, according to a survey by the National Association of Independent Colleges and Universities. At half of those schools, as many as ten percent of students were already expected to withdraw because of financial hardship.

No one appears to have surveyed public universities on this question, but almost all of them are being squeezed. "When [governors] cut our budgets, there's sort of a wink and a nod that they know we're going to raise tuition,



TOM COGILL FOR CROSSTALK

Andrew Blasi, editor of the William and Mary independent newspaper, The Virginia Informer, says students could help the administration cut costs, especially when the only alternative is ever-higher tuition.

so go ahead and do it," Breneman said. "There's a deafening silence from the leadership of American higher education on this—about affordability." When reports show that tuition has increased dramatically (the National Center for Public Policy and Higher Education's *Measuring Up 2008* pointed out that tuition and fees have risen 439 percent in the last 25 years, surpassing even the 251 percent increase in medical care costs), the presidents "just get mad, because it makes it harder for them to raise tuition," Breneman said.

"Students are expecting a hefty tuition increase, come the end of this year," said William and Mary student Andrew Blasi. "When the solution is just so easy—to raise tuition—it makes it harder to convince [the universities] to cut costs." He has a point, said Nosek. "Even when you make what you consider to be reasonable increases in fees, how much of that needs to go back into aid?" he asked.

Reveley defends the price of a William and Mary degree. "A really splendid undergraduate education has enormous value, and if a family can pay for it, they ought to pay for it," he said. "If what you want is really first-rate teaching in small classes, it's got to get paid for." Yet even though the proportion of the William and Mary operating budget underwritten by the state of Virginia has fallen from 42 percent in 1980 to 18 percent today, William and Mary students "are getting an incredible deal," Reveley said. "Even the out-of-state students are getting an incredible deal." (Annual tuition, room, board, mandatory fees and incremental costs at William and Mary total \$10,300—\$19,800 for students from out of state.)

Reveley does not support imposing layoffs. "They are enormously destructive of the fabric of the school, and we don't have enough people to begin with," he said. William and Mary has 2,528 non-faculty support staff for its 7,625 students, or one for every three, half the typical ratio. "I suppose everyone says they're anorexic and miserly. But we are overachieving with a pretty small cohort of people,"

Reveley said. "We put less into the administrative side, which makes it harder to find places to cut when push comes to shove."

Inevitably, however, changes that are more dramatic than hiring freezes and journal cancellations will eventually become necessary, said Golding. "We are doing those things first because we have

The organization Public Agenda found that 56 percent of Americans think universities can find ways to spend less without jeopardizing quality.

to deal with the immediate problem that's facing us, and then we can step back and look to see where there are opportunities for such things as programs we want to get out of because they don't define the institutions. And that takes time." Besides, he said, just cutting a program may not save much money: "If you have a tenured professor, you still have to deal with that obligation." And some programs generate revenue. Breneman, in his role as an administrator during the 2001 recession, proposed eliminating a master's program in his department in order to cut costs, only to find out that it had more full-tuition-paying students enrolled in it and was making money for the university.

The rain at William and Mary finally let up. The next week, Virginia's governor slashed another eight percent from the state appropriation for the college, on top of the seven percent already announced. Since October 2008, the total cuts in state funding alone had reached \$8.6 million. It was time to go back to the ledger. ♦

Jon Marcus also wrote the article about Florida higher education on page 1.

ROD SEARCEY FOR CROSSTALK



Stan Nosek, vice chancellor for administration at the University of California, Davis, thinks bidding for top faculty, like bidding for winning football coaches, has gotten out of hand.

Financial Challenges

Oregon's Opportunity Grant program must overcome new hurdles due to the recession

By Kathy Witkowsky

SALEM, OREGON

LAST FALL, an unprecedented infusion of state financial aid gave Oregon college students and higher education advocates reason to rejoice. Spurred on by Governor Ted Kulongoski, who has consistently cited education as his top priority, state legislators had more than doubled the amount of need-based assistance available this academic year for state residents, from roughly \$34.5 million to \$72 million, while broadening the program's eligibility requirements to include middle-class students.

Those changes came on the heels of others that, for the first time, allowed part-

This year, according to the terms of its new "Shared Responsibility Model," Oregon no longer awarded equal amounts of aid to all eligible students.

time students to receive state aid. The intent was to increase the state's dismal college participation and achievement rates by removing financial barriers to higher education.

"I'm really proud to be in a state where they have decided to take a stand

for education," said Kathy Campbell, associate dean of enrollment and financial aid at Chemeketa Community College in Salem, and chair of the steering committee that helped implement the new "Shared Responsibility Model" for the need-based program known officially as the Oregon Opportunity Grants. "That was a huge turnaround."

Even before its first year of full implementation was over, the program exceeded expectations, as students applied for and received aid in record numbers last fall, and schools experienced a simultaneous increase in enrollment. The challenge, said James Sager, the governor's education policy advisor, is, "How do we maintain [the program] in good and bad economic times?"

And the bad times have arrived. The program now faces unforeseen hurdles due to the economic downturn, which is expected to leave Oregon with a budget shortfall of between \$855 million for the current biennium that ends in July, and a \$3 billion budget shortfall for the 2009-11 biennium.

The governor's advisors said that he remains intent on protecting the state's investment in education. But as the legislature began its 2009 session in January, education advocates said that, while they were confident that the program had enough political backing to guarantee its long-term survival, they were nonetheless concerned about its immediate future.

"It's like 'A Tale of Two Cities': the best of times and the worst of times," said

Oregon University System Chancellor George Pernsteiner, who oversees the state's seven four-year public institutions. He lauded the program as a success, but said he was "very stressed" about whether the current fiscal situation would allow it to continue as is.

This year, according to the terms of the Shared Responsibility Model, the state no longer awarded equal amounts of aid—11 percent of the cost of attendance—to all eligible students. Instead, the program eliminates the income "cliff" of \$33,000 for a family of four, expanding the eligibility to include incomes up to \$70,000, and calculating the aid on a sliding scale.

As originally conceived, the formula

started with the cost of attendance, then subtracted expected sources of funding: federal grants and tax credits and family contributions. It also assumed that students would contribute their fair share toward their education: that students would work 15 hours a week for 48 weeks, or full-time in summer and ten hours a week during the academic year, earning minimum wage. Students at four-year institutions were expected to provide an additional \$3,000 a year through loans, scholarships, savings or other means. The state would then pick up the rest of the cost.

However, because of the lack of available state monies, that formula had to be scaled back. So this year, the state applied a multiplier of .19 to expected family contributions; in general, that resulted in an increase in the amount of the contribution, though for the neediest students it resulted in no change, since their families weren't expected to contribute anything. This year, grants also maxed out at \$3,200 per year for four-year public and private institutions, and \$2,600 per year for community colleges. By comparison, last year the award amount was \$1,752 for a full-time student at a four-year public school, and \$1,470 for a full-time student at a community college. (Awards to students at the state's 19 independent schools varied; the highest was nearly \$5,000.)

By factoring in a reasonable amount that students could be expected to contribute, education advocates overcame common objections to increasing financial aid, objections that were voiced during focus groups convened by the State Board of Higher Education early in Governor Kulongoski's tenure. "The attitude was, 'I paid my way through college, why can't they?'" said James Sager, the governor's education policy advisor. "The general public didn't understand the true cost of attending college today—that students can't pay their way through."

A working group comprised of educators, students and policymakers, with help from the Western Interstate Commission for Higher Education, repackaged the issue, basing it on a model that has long been in place in Minnesota.

"The pitch in the past has been, 'We don't have enough, and we need more,'" said Brian Prescott, WICHE's director of policy research. "That's not really tied to anything real. And this is." What's more, it's palatable to those on the conservative



"This infusion of cash in our students' pockets is a very empowering moment for them," said David McDonald, associate provost at Western Oregon University, in Monmouth.

as well as the liberal end of the political spectrum, he said.

"What this approach does is let policymakers and everybody else tell the public that students are earning their way through college to the extent possible," said Dennis Jones, president of the National Center for Higher Education Management Systems.

To promote the beefed-up program, the state undertook a \$300,000 statewide bilingual marketing campaign. The state's overall educational participation rates are

As the economy worsened, the governor was legally obligated to make across-the-board cuts to state agencies that receive money from the state general fund.

below the national average, and Hispanics, the state's largest minority population, lag even further behind: In 2007, 14 percent of Hispanic young adults were enrolled in college, compared with 33 percent of whites; only ten percent of the state's Hispanic population have a bachelor's degree, whereas 31 percent of whites do.

"Don't Just Dream About College...GO!" urged brochures, posters, radio and television advertisements marketing the Opportunity Grants. The response was overwhelming: In 2008, a record number of students filled out a Free Application for Federal Student Aid; 38,500 of those students received Opportunity Grants last fall, about 11,000 more than had received them in previous



Kathy Campbell, associate dean of enrollment and financial aid at Chemeketa Community College, in Salem, Oregon, chaired the steering committee that helped to implement the plan.

years, and 4,000 more than the state had predicted.

Enrollment at the state's four-year public institutions was up this past fall by an average of 5.2 percent; at Oregon's 17 community colleges, enrollment jumped by an average of 10.3 percent. (The program appears to have had the opposite effect on the state's independent colleges, where the number of students who received awards increased from 1,400 to 2,500, but where awards for the neediest students were less this year than last year.) And while much of that change in enrollment might well be due to the downturn in the economy, administrators said they believe the expanded Opportunity Grants

By factoring in a reasonable amount that students could be expected to contribute, education advocates overcame common objections to increasing financial aid.

also played a significant role.

"This was exactly the right response for exactly the right reason," said OUS Chancellor George Pernsteiner. The new Opportunity Grant, he said, sent an important message: "Your state believes in you, it will invest in you, and here's proof of it. And people took us up on that."

For students like Mayra Gomez, 20, of Hermiston, Oregon, a first-generation college student who is pursuing a double major in community health studies and health sciences at Portland State University, the additional money meant that she could reduce her work hours by half—from 20 hours a week to ten—and that she didn't have to add to the \$6,000 in loans that she has already accrued. The additional aid also meant she could afford to live on campus this year, instead of commuting 40 minutes each way from an



Mayra Gomez, a first-generation college student from Hermiston, Oregon, says the new student aid measure enables her to work fewer hours at a part-time job.

apartment in a different section of Portland, as she did last year. As a result, she said, her grades have improved.

"Because I received more money, I was able to work less and study more," said Gomez, who is determined to finish college so she won't have to work in the agricultural factories and fields in eastern Oregon, as her parents do.

"This infusion of cash in our students' pockets is a very empowering moment for them—allowing them to pursue the college dream," said David McDonald, associate provost at Western Oregon University in Monmouth, who was in charge of the efforts to promote the program.

At WOU, a small undergraduate-focused institution near Salem, where more than half the students are first-generation college-goers, and 70 percent receive financial aid, the results have been felt already. Some 1,200 students—more than a third of the school's Oregon resident undergraduate students—are receiving Opportunity Grants worth a total of \$2.8 million, compared to 799 recipients last year who shared a total of \$1.1 million. "That's huge," said McDonald.

Administrators at other Oregon institutions expressed similar enthusiasm. "It's been wonderful for our students," said Campbell, of Chemeketa Community College, where enrollment increased by a whopping 18 percent last fall. Not only has the maximum award for full-time students increased by more than \$1,100, but 650 part-time students are now also receiving Opportunity Grants they would not have been eligible for under the prior rules. The result, she said, is that fewer students have had to take out loans.

If the story ended there, in the middle of the fall quarter, it would have had a happy ending.

But as the economy worsened, and revenues fell, the governor was legally obligated to make across-the-board cuts to state agencies that receive money from the state general fund. That 1.2 percent reduction, combined with a drop in lottery interest earnings, another source of Opportunity Grant funding, essentially wiped out a \$4 million emergency fund allocation that the Opportunity Grant program had

received to deal with the unexpected crush of students who had qualified for the awards. The program ran out of money, and the Oregon Student Assistance Commission announced that students who hadn't applied for financial aid prior to December 1, 2008 would not receive any awards during the 2008-09 academic year.

By the end of February, OSAC reported that nearly 5,000 students who had filled out their Free Application for Federal Student Aid forms after the December 1 cutoff date had qualified for aid, but that there wouldn't be any money for them. That number is expected to continue to increase through the spring. In addition, as a cost-saving measure, OSAC decided it would not award Opportunity Grants this academic year to any students who had not received an award in

the fall—even if they had filled out their paperwork prior to December 1, and had been told they were going to get aid for winter and spring. And all students receiving awards this winter and spring will see their amount reduced, by \$80 for full-time students, and \$40 for part-time students.

"It's been kind of a roller coaster," said OSAC Executive Director Dennis Johnson. "What it does is rattle confidence in terms of the resources that will be available in the future." Still, Johnson said he didn't expect any more changes in this biennium. "It's going to be very, very tight, but I don't expect any additional cuts," he said. But depending on what the legislature does with the 2009-11 budget, OSAC may have to revise the program, by reducing the award amounts, or by changing its eligibility requirements to serve fewer students, Johnson said. The good news, he added, is that federal Pell Grants and tax credits will be increasing substantially over the next couple of years; those measures should help to make up for at least some of the state shortfalls.

Still, administrators said they are concerned about the signals such cutbacks could send. "The worry is that with not even a year under our belt, we have had to back away from our promise," said Camille Preus, commissioner of community colleges and workforce development.

No one knows how many students will choose not to enroll or will drop out because of this year's reduction in aid. But, said Mary Spilde, president of Lane Community College in Eugene, "The lives of many of our students are a house of cards. When you're living on the edge, it just takes one little piece and the whole house of cards comes down."

The vast majority of those who qualified too late to receive the Opportunity Grants this year—4,300 of 5,000—are community college students. That's to be



Oregon's "shared responsibility" student financial aid plan has gotten off to a good start, but James Sager, education policy advisor to Governor Ted Kulongoski, wonders, "How do we maintain the program in good and bad financial times?"

expected, since community college students typically make decisions about schooling later than students at four-year schools. But even those who had planned in advance not to attend fall term, and to return to school for winter term, have lost out.

"It means less for rent. I'll probably have to work more," said a disappointed Nicole Padron, 26, a student at Lane Community College, when she heard news of the cutbacks from a reporter. Padron had taken off the fall term to deal with her recently deceased mother's estate, but was counting on the \$600 Opportunity

Only ten percent of Oregon's Hispanic population have a bachelor's degree, whereas 31 percent of whites do.

Grant she had been awarded to help her through the winter and spring terms. Padron, a straight-A student, is studying to be a veterinary technician, and said her textbooks for winter term alone had cost her \$465. Despite the loss of aid, she said she planned to remain in school so she can eventually earn more than the \$10.60 an hour she is currently paid in her part-time job working with disabled adults. "I don't want to be uneducated forever," she said.

Oregon has no state sales tax, and a ballot measure passed in 1990 significantly lowered property taxes, leaving the state heavily dependent on income tax for its revenue. Higher education budgets took huge hits in the years that followed, forcing program cuts. For 15 years, the four-year public institutions failed to meet enrollment goals, said George Pernsteiner.

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OREGON

from preceding page

“That’s one of the reasons that Oregon’s educational attainment level is so low,” he said.

Governor Kulongoski has articulated a set of ambitious long-term educational goals for the state that would raise those levels. According to those goals, by 2025, 40 percent of Oregon adults should have a bachelor’s degree or higher; another 40 percent should have at least an associate’s degree or other technical credential; and the remaining 20 percent should have at least a high school diploma. Kulongoski’s

Oregon has no sales tax, and a ballot measure passed in 1990 significantly lowered property taxes. Higher education budgets took huge hits in the years that followed.

belief that higher education should be made accessible isn’t a surprise to those who know his background: He was raised in an orphanage, and attended college on the G.I. Bill.

During his January 12th State of the State address, delivered at the beginning of Oregon’s 2009-11 legislative session, Kulongoski repeated his support for education, which he said is the state’s way out of the recession and toward prosperity. “If we’re going to turn unemployment checks into paychecks, the state must invest in our human infrastructure,” said Kulongoski, who talked about building a “protective wall” around funding for education.

Kulongoski’s proposed budget for

2009-11 included \$163 million for the Opportunity Grant program. That would represent a substantial increase from the current level, though still far shy of the \$250 million it would cost to fully fund it. State officials said they were hopeful that a federal stimulus package might help keep the program, as well as higher education, whole, even as the state economy worsens.

In early January, as they prepared for their session, legislators on both sides of the aisle said they, too, believe it is imperative to continue funding the Opportunity Grant program, though they would not commit to a specific amount, given the tough budget climate. “Putting people into higher education has a great return,” said House Republican Leader Bruce Hanna, adding that education will be a high priority both for him and his caucus. “Our goal has to be to create an environment of creating jobs, because when people are working they’re generating money, and they’re less of a drain on social services,” Hanna said.

Now that the groundwork has been laid, lawmakers believe they should build on it. “It would not be in any sense a good decision to have opened the doors to thousands of Oregon students...then close the doors,” said Senate Majority Leader Richard Devlin, a Democrat. Still, Devlin would not defend the governor’s education budget as proposed, in part because it assumes the use of reserve funds that the legislature would have to release during a supplemental session next year. In addition, Devlin, Hanna and others are concerned that the governor’s budget shortchanges the community colleges, which have seen the largest enrollment increases and which, given the state’s economic troubles, are likely to see even more, as workers who have lost their jobs return to school.

Legislators also will have to weigh education and training needs against pressing demands for human services and public safety. “It is my goal to support educa-

tion,” said Senator Margaret Carter, a Democrat and co-chair of the Senate Ways and Means Committee. But, she said, “I do know I won’t balance this budget on the back of human services.”

Among those who will be lobbying the legislature to support the Opportunity Grant program will be the Oregon Business Council, an association of more than 40 top business executives focused on public policy issues. The OBC helped fund the initial research on the Shared Responsibility Model and endorses it in its current business plan. “It’s a very logical formula that has wide support,” said OBC president Duncan Wyse.

Even so, OSAC’s Dennis Johnson was pragmatic. “This is going to be one tough session,” he said.

One thing is virtually certain: With increased enrollment and tight budgets, institutions will have to do more with less. That will not be easy, said Mary Spilde, president of Lane Community College. Like the rest of Oregon’s community colleges, Lane is still trying to regain the budget ground it lost in the early part of the decade, when the state last faced a fiscal crisis. At Lane, \$8 million in cuts over two budget cycles forced the school to close programs, lay off staff and raise tuition from \$38 to \$63 per credit. With a 14 percent enrollment increase this past fall, there’s no more fat to trim, Spilde said. If she shuts down programs, the school will lose students. And if the school loses students, it will lose tuition dollars and public funding tied to enrollment. “So it’s a downward spiral,” she said.

“As a state, how we approach funding of education in this downturn is going to be very important to the public’s optimism and decisions about college,” said OUS Chancellor Pernsteiner. “When institutions are well-funded, there are corresponding enrollment increases,” he added. “If we sound doom and gloom, people don’t come.”

Soon after the cuts to the Opportunity Grants were announced, six of the state’s seven four-year institutions promised to absorb the costs of those cuts (Pacific University, a private institution, also made a similar pledge.); the seventh, Portland State University, said it would cover about 75 percent of the unmet need for its students who filled out their applications too late to receive a grant for the winter and spring terms.

But by the end of February, with the economy continuing to tank and the legislature threatening to slash an additional \$37 million from the OUS budget, at least one institution was exploring the possibility of raising tuition. In late February,



Campus administrators worry about the effect that cutbacks in the program will have. “With not even a year under our belt, we have had to back away from our promise,” said Camille Preus, commissioner of community colleges and workforce development.

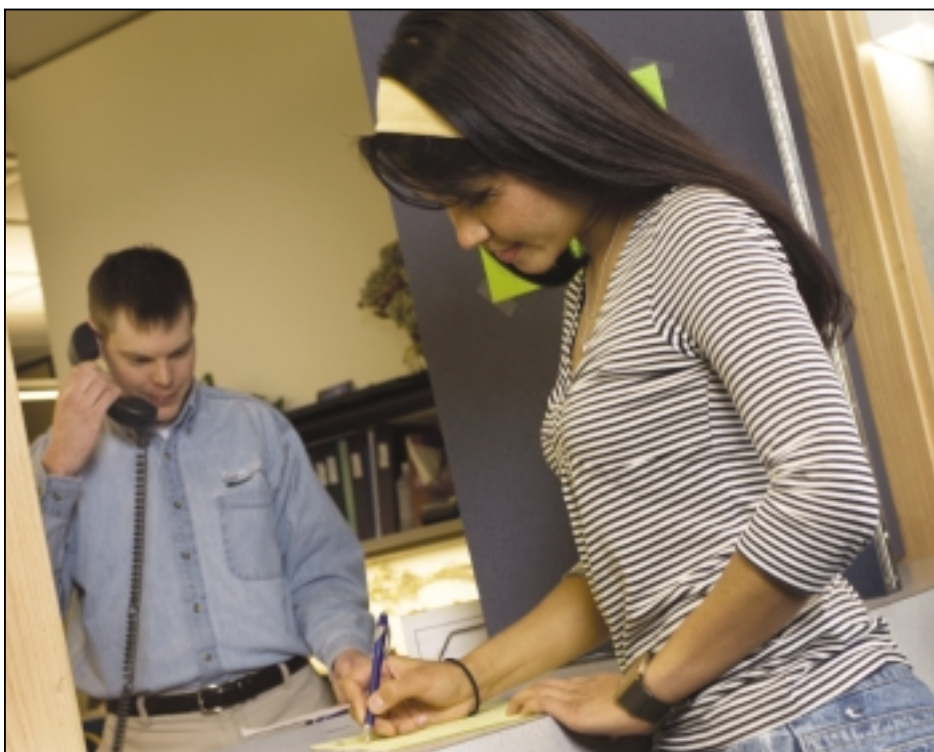
University of Oregon President Dave Frohnmayer told lawmakers that enrollment increases and the cost of covering financial aid cuts have put the school’s budget under severe strain, and that he and campus officials have been talking about adding a surcharge onto spring term tuition bills, as one potential option to deal with deeper budget cuts.

Meanwhile, institutions, as well as the state, are looking to private donors to fill in the gaps. Linfield College has announced a fundraising effort of more than \$32,000 for its students; Chemeketa Community College is engaged in a \$150,000 effort to qualify for a matching grant for scholarships from the James F. and Marion L. Miller Foundation, which in August extended similar offers of varying amounts to all the state’s community colleges, for a total of \$1.5 million.

In fact, there has been increased interest from private donors in funding scholarships, said OSAC’s executive director Dennis Johnson. In addition to administering the Opportunity Grants, OSAC also administers some 400 privately funded scholarships, up from 280 just three years ago. And Johnson said he expects that more private donors will come forward as the economy worsens. “It isn’t the solution, but it’s one of many solutions,” he said.

“These are precarious economic times,” Johnson said. But, like other higher education advocates, Johnson still thinks the Opportunity Grant is a good news story. “Without seeming like a Pollyanna, I am optimistic about the program,” he said. This is the message he said he’d like to send to students: “Don’t panic. There is help available.” ♦

Kathy Witkowsky is a freelance reporter in Missoula, Montana.



A student fills out a Free Application for Federal Student Aid at the Chemeketa Community College financial aid office. Last year a record number of Oregon students applied for aid, and 38,500 received Oregon Opportunity Grants.

OTHER VOICES



Recessions Past and Present

Higher education struggles with state cuts, rising tuitions and a climate of uncertainty

By David W. Breneman

THERE IS A TENDENCY, when discussing the impact of recessions on higher education, to treat recessions as largely similar in kind, and thus not to pay much attention to factors that may differentiate among them. What we are seeing, however, in the financial crisis and decline of 2007–09 is a very different sort of event than, for example, the recession of the early 1980s. Few have asked whether different types of recession affect higher education differentially, but this is a topic that the current downturn renders worth considering.

Differences in Recessions

Since the early 1970s, the United States has experienced five recessions: 1973–75, 1980–82, 1990–91, 2001–03, and 2007 to the present. Today, given the severity of the current situation, the word “Depression” has crept back into the conversation, as certain similarities to the dire experience of the 1930s are evident. A brief commentary on economic thinking about depressions and recessions is a good place to start.

The great intellectual advance coming out of the 1930s was the work of John Maynard Keynes, who in his classic 1936 book, “The General Theory of Employment, Interest and Money,” established the framework that guided macroeconomic thinking for several decades. The Great Depression witnessed hundreds of bank failures, a severe contraction of the money supply, and the collapse of aggregate demand in the economy.

The current recession is significantly different from those that have preceded it, and in that sense, parallels to the depression of the 1930s are apt.

Keynes focused his efforts on rejuvenating demand, and with consumers and investors on the sidelines, he saw government as the sole remaining source of new demand, which through the multiplier effect of subsequent rounds of spending could re-start the economy. At a time when monetary policy was ineffective (people and businesses were hoarding cash for liquidity purposes), Keynes emphasized the necessity of aggressive fiscal policy. In fact, it took World War II to generate

the demand necessary to pull the U.S. economy out of depression.

Keynesian economics held sway into the early 1970s, when the comment “We are all Keynesians now” was attributed to Richard Nixon. But the 1973 oil shock and the subsequent years of slow economic growth and accelerating inflation, known as stagflation, began to undercut the logic of the Keynesian system, focusing increased attention onto monetary policy, as inflation is a monetary phenomenon.

Paul Volcker, in his role as chairman of the Federal Reserve Board, broke the back of inflation in the early 1980s by sharply raising interest rates, and thereby squeezing out private investment demand. The result was the recession of 1980–82. The success of this effort, in wringing high inflation out of the economy, enshrined monetary policy as the key instrument for guiding the economy, overshadowing fiscal policy as a tool. But the economic cost was high, with the unemployment rate reaching 10.8 percent.

The 1980s also saw the rise of “supply-side economics,” so called to differentiate it from Keynesian “demand-side economics.” This new focus lionized the market, entrepreneurship, innovation, and incentives for private production and demand, primarily in the

form of tax cuts. Keynesian policies and the productive role of government were dismissed as stodgy and old-fashioned, brushed aside by the drive and vigor of the “supply-side actors,” the entrepreneurs and producers. The recession of the early 1990s was brought on as these new actors confronted global competitors, such as the Japanese and the other Asian “tigers,” who were outstripping the U.S. in manufacturing productivity and cost efficiency.

Inflation also surged again in the late 1980s, and tight monetary policy had its effect in slowing the economy. In order to regain some measure of competitiveness, the early 1990s featured downsizing, re-engineering, and restructuring of the work force, with sizable reductions in the middle-management sector of the white-collar labor force. Bill Clinton won the White House in 1992 in the sluggish aftermath of recession by never forgetting that “It’s the economy, stupid.”

The recession of 2001–03 was triggered by the collapse of the high-tech, Internet boom of the late 1990s, as this disruptive new technology burst on the scene and promised to redo the way we conduct business. Speculation on virtually any new “dot-com” company drove the stock market to new highs, and when the bubble burst, much of the economy went with it. The September 11, 2001, terrorist attacks added to the fear and uncertainty, and contributed to the stock market plunge.

This recession turned out, however, to be relatively short and shallow, as monetary policy was dramatically loosened so that interest rates hit historic lows and stayed low, and vast sums of liquidity were pumped into the system. Unfortunately, loose monetary policy, coupled with new financial instruments such as derivatives, collateralized debt obligations, credit default swaps and other arcana, set the stage for the financial collapse through which we are currently living.

Highlights of this brief summary are that the causes of recession are many and varied, and that the cause matters in determining both the cure and the likely duration of the problem. Until recently, consumer demand tended to remain strong even when other economic indicators were not, and thus could be counted on to help pull the economy back to capacity. Monetary policy was broadly effective in stimulating investment, and often helped the economy to rebound in a V-shaped way, rather than the slower U-shaped pattern.

But the current recession is significantly different from those that have preceded it, and in that sense, parallels to the depression of the 1930s are apt. The current problem has its roots in the financial sector—banks are failing, credit has been much reduced, monetary policy is ineffective, consumers are not spending as freely as before, retail businesses are closing, investment projects are put on hold, and demand for liquidity is so strong that in recent weeks short-term Treasury bills, presumably the most secure financial asset, were actually paying a negative interest rate as people clamored for safety, regardless of return.

The Keynesian model is highly relevant again, as we confront sharply declining aggregate demand from consumers, investors, and from abroad for our exports. Government is once more the force being called upon to get the economy moving, and hence the Troubled Assets Relief Program (TARP), enacted in the waning days of the Bush administration, and the new fiscal stimulus package of the Obama administration. As this essay is being written, the future of the economy is strikingly uncertain, for we have not experienced conditions like this in the recessions of the 70s, 80s, 90s or early 2000s.

Few think that the economy will rebound rapidly, as consumers and investors are nervous and cautious, and the fiscal stimulus will be slow in working. Unfortunately, the recession that began in the U.S. has spread throughout the globe, and no other major country seems poised to pull the rest of us out of the swamp. Some argue that much of the “wealth” created in the last decade was little more than paper wealth floated on a sea of new and unfathomable financial instruments; thus, the air going out of this bubble is just that—air—not substance.

Perhaps the greatest source of optimism is that we have experienced the Great Depression before and have learned from it, and thus will not repeat the policy mistakes of that era, such as initial timidity in stimulating demand, that made the problem worse. But one does have the sense that the psychology of debt—of buying on credit and overextending, whether as a household or as a company—may be changing in ways that will mark this time as one of national, even international, cultural change.

Significance for Higher Education

A review of the past four recessions prior to the current one reveals that, on balance, higher education in the United States weathered each of these economic storms reasonably well (the *Chronicle of Higher Education*, October 10, 2008). But most observers agree that the current recession, officially announced as having begun in December 2007, is a different breed of recession, with disconcerting similarities to the Great Depression of the 1930s, as noted above. After years of neglect, Keynesian economic policy is being reintroduced in the form of aggressive fiscal actions designed to increase aggregate demand in the economy. While it seems unlikely that the world will slump into prolonged depression, the economic outlook is cloudy at best, with conditions likely to be more severe, and depressed longer, than in other post World War II recessions. What might this situation mean for higher education in the United States?

We have no definitive evidence yet, but early warning signs abound. Most state govern-

The conditions that provide access and opportunity to complete various forms of postsecondary education and training are languishing in this country.

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ments are experiencing a sharp drop in tax receipts, and because states have to operate with balanced budgets, expenditure cuts are being reported daily. In recent days, for example, the states of Washington, Nevada, Texas, Oregon, Idaho, California and South Carolina have announced cuts in state appropriations to public colleges and universities, ranging from ten to 36 percent. And few states, if any, will avoid such cuts.

While it is true that state support for public higher education has been declining as a share of institutional revenues for more than two decades, the severity of the current cuts might push public institution leaders to reduce enrollments, something they are normally reluctant to do. For example, the California State University and University of California systems have announced plans to reduce the number of entering undergraduates by several thousands of students. The new round of state cuts will also prompt yet higher public tuitions, further dampening demand.

Numerous universities have reported endowment losses of 25 percent or more in 2008, as virtually all asset classes have fallen in value.

It has been common in past recessions for enrollments to actually jump, as the opportunity cost of forgone earnings for the newly unemployed declines. While not yet definite, there are early signs that such an enrollment surge might not be happening this time around, in part because institutions are reluctant to keep expanding when revenues drop, but also because of the rising student charges and general uncertainty about the economy. The United States has been

on a borrowing binge fueled by low interest rates for several years, and much of what is happening now is an unwinding of unsustainable debt levels, both in families and in businesses. Higher education has become increasingly dependent on student and family debt to cover student bills, but not only is the credit market harder to tap now, but increasing numbers of would-be students may be reluctant to borrow more for higher education.

This phenomenon may be particularly true for potential graduate and professional students, including those who might otherwise embark on Ph.D. programs. One effect of both the drop in state support and falling endowment levels has been a sharp reduction in the number of new tenure-track positions being filled this year. Adding to the costs of college and university budgets will also be a likely reduction in retirements, as many academics have experienced a 40 percent drop or more in the value of their defined contribution retirement plans. Rather than retire and open up positions for new Ph.D.s at lower salary costs, many relatively highly paid academics will now stay on into their 70s.

Both public and private universities have emphasized private fundraising and the building of sizable endowments in recent years as a way to diversify revenues. Numerous universities have reported endowment losses of 25 percent or more in 2008, as virtually all asset classes have fallen in value. The logic of limiting spending from endowments to roughly five percent annually means that drawing from this source must decline, or spending will increase to unsustainable long-term levels. It is also unclear whether major donors will be able or willing to continue to provide substantial new gifts at previous rates in the current climate.

Much depends on what happens in 2009, and whether the fiscal stimulus developed by the Obama administration will recharge the economy. It may also be the case, however, that a prolonged recession and slow recovery will provide the context in which institutions will re-examine their policies and practices and bring an end to some of the extravagances that critics of higher education have railed against for years. Many outlays have been driven by competition for status and prestige, as well as to provide students with accommodations, services and facilities approaching a luxury level in some schools. If families are forced to scale back in their spending and expectations (or do so of their own volition), this pressure will surely be brought to bear on the colleges and universities where their children enroll. Just as cultural change is bringing pressure to bear for “green” campuses and worksites, so might pressure for a leaner, more austere academic experience, at a lesser charge to students, come to pass.

Institutional leaders, board members and government educational officials face the following challenge: There is no evidence that the needs for a highly skilled and well-educated work force are going to diminish, given the technologically driven, competitive global economy, whatever course the economy takes toward recovery. At the same time, the conditions that provide access and opportunity to complete various forms of postsecondary education and training are languishing in this country, with performance over the past quarter century in improving degree output per capita essentially flat.

Furthermore, other developed countries are surpassing the United States now in the percentage of the younger population with degrees and certificates, so the benefits of our first-mover status toward mass higher education have been eroded. Finding the will and the way to use the educational resources we have most effectively is now both a moral and an economic obligation. ♦

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Accountability Measures

States rely on new “data systems” to track institutional success and student outcomes

By Kevin Carey

IN AUGUST 1986, the National Governor’s Association published an education manifesto titled “Time for Results.” Led by young, reform-minded leaders like Bill Clinton, Lamar Alexander and Tom Kean, the commission that wrote the report made a series of recommendations for K–12 schooling before moving on to the nation’s higher education institutions. “States,” they concluded, “should insist that colleges assess what students actually learn while in college.”

Many improbable and momentous things have happened in the years since. Communism fell, the Internet rose, multiple Bushes became president, and the Red Sox won the World Series—twice! Skinny neckties fell in and out of fashion at least three times. And much of the governors’ 1986 agenda for K–12 education eventually became the law of the land.

Yet even as the world was transformed around them, America’s core higher education institutions remained largely the same, with one glaring exception: They became a whole lot more expensive. Despite the fact that undergraduates’ inflation-adjusted out-of-pocket costs have more than doubled since 1986, we still know very little about what they actually learn in exchange. Prodded by the federal government, states have taken up the challenge of holding K–12 schools accountable for teaching students well. Public universities, by contrast, have been largely left alone. The biggest policy question facing higher education today is whether that will change.

States haven’t ignored higher education entirely. Over the last two decades, most have created something that they call an “accountability system.” While no two are exactly alike, the systems tend to gather certain basic data elements—enrollment, tuition, degree production and (since these numbers have to be reported to the federal government anyway) graduation rates. They tend to compile those numbers into reports that are then converted to a handy computer format and posted on a website of some kind. And the process tends to stop there, allowing colleges and universities to go about their business as before.

What state accountability systems don’t tend to do is the one and only thing that accountability systems are ultimately for: improve colleges and universities on behalf of students and the public at large. This we know because affordability is declining, graduation rates are stagnant, and the few indicators of college student learning we can find, such as the National Assessment of Adult Literacy, are so terrifying (most college graduates aren’t proficient on a test of prose literacy) that we all but pretend they don’t exist.

Fortunately, there are reasons to be optimistic. While most states are not gathering useful information about teaching and learning in higher education, some are. While most states do not use the information they gather to create real incentives for institutional change, some do. If every state did nothing but adopt the best practices that already exist elsewhere, higher education accountability in America would be greatly improved. This possibility is further enhanced by the single biggest difference between 1986 and the present: the explosion in availability of inexpensive, timely and reliable information.

In Texas, for example, the Collegiate Learning Assessment—a test of higher-order thinking and communications skills developed by a subsidiary of the RAND Corporation—is being administered at all University of Texas campuses. What’s more, they are publishing the results for all to see. It turns out that when results for freshmen and seniors are compared, the biggest gains aren’t being realized at the flagship research university in Austin but at regional campuses like UT-Pan American.

Other states, like Vermont and Kentucky, are using student surveys—the National Survey of Student Engagement for four-year institutions, and the Community College Survey of Student Engagement for two-year institutions are the most popular—to better understand whether colleges are providing an academic environment that helps students learn. The State University of New York system recently published the percent of students attending different classes of institution—doctoral, comprehensive, community colleges, etc.—who are meeting academic standards in various disciplines, such as “application of scientific data, concepts and models in one of the natural sciences.” Measuring learning is complicated, but it can be done.

The severity of the current cuts in state support for public higher education might push public institution leaders to reduce enrollments, something they are normally reluctant to do.

Over the last two decades, most states have created something that they call an “accountability system.”

States have also developed powerful new tools to track students into the workforce after college. In 1986, this would have involved expensive phone and mail surveys, as well as laboriously tracking students who move from place to place, a logistically daunting task (unless, apparently, you're in charge of alumni fundraising). Today a growing number of states have linked up centralized education databases that hold millions of individual student records with similarly large employment data systems created by state departments of labor.

Florida publishes employment rates and the percentage of recent graduates earning various amounts of money, for every public university in the state, broken down by field of study. The highest earners? Not the best and the brightest emerging from the flagships, but rather undergraduates who majored in business at Florida International University. The Illinois Community College System compares real student earnings before and after completing a degree, calculated as earnings gains per credit hour completed. The 82 students who completed an education degree at an Illinois community college in 2005 gained \$36.96 per credit completed. The 1,686 students who completed a "protective services" degree saw their earnings rise by \$388.91 per credit. Most students go to college in order to launch a successful career. With new state data systems, we can find out if they succeed.

States are using the same sophisticated data systems to create better measures of student attainment. Federal graduation rates measures are limited to full-time students, and do not give colleges credit for people who transfer or who take more than six years to graduate. Indiana publishes graduation rates for part-time students at the state's regional universities, and extends the time-frame to ten years. Minnesota tracks student persistence by income level, another important factor not included in the federal data. Among students who entered a two-year institution and reported family income below \$30,000 in 2002, only 54 percent returned the next year. Low graduation rates are a huge problem in higher education. The better we understand the complex patterns of student persistence, the better we can help more students to earn degrees.

These are just a few of the new measures that states have developed in the last twenty years. Scholarship, service, access, efficiency—all of these important factors and more are being tracked by some state, somewhere. But this wealth of new data is worth little if states do not use it to change the incentives that influence institutional behavior. Making information available isn't enough—states have to make it meaningful. Again, a few states are leading the way.

Accountability systems only work if performance is tied to something decision-makers care about, and they all care about funding.

Some have integrated accountability measures into their systems of governance. The Maryland Higher Education Commission uses a peer-based evaluation system in which each institution selects a set of performance measures appropriate to their academic mission and is compared to a unique set of institutional peers. The Texas Higher Education Coordinating Board also uses peer comparisons for measures that are then rolled up into statewide totals and compared to state strategic goals. The latest reports show that Texas is falling short of its

goals for increased Hispanic student enrollment by 2015, but is ahead of pace for doctoral degree production. Putting institutional accountability into a larger state context is key.

Other states have linked performance with money—always a controversial step, particularly in these tight fiscal times. But it is certainly possible. Tennessee's performance funding system has been in place for 30 years, with 5.45 percent of current funding based on measures like employee surveys, student engagement, faculty productivity and student learning. Colorado's "performance contracts" are another example, as are systems in Virginia, Oregon and elsewhere. Accountability systems only work if performance is tied to something decision-makers care about, and they all care about funding.

Accountability information can also be influential without being formally tied to governance and funding, but only when the information is communicated in a targeted, accessible way. Most students and parents—or, for that matter, state legislators—are not going to spend hours poring over tables of numbers printed in small type. The Minnesota State Colleges and Universities system recently launched an "Accountability Dashboard" that displays institutional performance data in the form of multiple automobile speedometer-style dials, with a "red zone" indicating poor performance. Kentucky's accountability reports are similarly straightforward and clean, with up and down arrows that indicate change. Magazines like *U.S. News & World Report* have become enormously influential by translating higher education data into terms the public can understand. To match (and counter) that influence, states will need to do the same.

The current economic crisis will undoubtedly create a great deal of fiscal pain for higher education. Some might say that the added pressure of accountability is the last thing colleges and universities need. Actually, the opposite is true. The governors' 1986 call for assessment and accountability fell on mostly deaf ears. Since then, we have seen states slowly but steadily pull back from their financial commitment to higher education. And commitment is what accountability ultimately represents—a shared responsibility for fulfilling the vital purposes of higher education, for meeting the needs of students and the public, for building and sustaining institutions that play a crucial role in American lives.

Colleges that actively participate in fair, accurate, multi-dimensional accountability systems will ultimately be in a far stronger position to claim the public support they need and deserve. Accountability isn't easy, but it benefits everyone in the end. ♦

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Great Expectations

Can research change the character of the affirmative action debate?

By David L. Kirp

THE FIGHT over race-sensitive admissions is usually framed as pitting fairness to white students against the societal benefits of diversity. Because that's a collision between rival world-views, not an empirical argument, it's nearly impossible to strike a balance that both sides can accept. But when opponents of affirmative action contend that race-conscious admissions rules are also unfair to the very minorities who are supposed to be being helped, they are making a different kind of argument—one that can be tested empirically.

The so-called "minority mismatch" argument goes like this: non-whites who wouldn't otherwise be admitted to selective universities find themselves competing with better-prepared students, and that's a prescription for failure. They would be better off at a school a rung or two lower on the prestige ladder, where the academic standards are less rigorous and expectations are lower. Affirmative action advocates dismiss this claim as patronizing—and plain wrong. Which side is correct? Can research affect the character of the persisting affirmative action debate?

In their landmark 2001 study, "The Shape of the River," William Bowen and Derek Bok, the former presidents of Princeton and Harvard, respectively, introduced empirical rigor to this debate. They found that minority students at elite universities who had gotten a leg up in admissions because of their race did considerably less well academically than white students—indeed, their performance was worse than what their SAT scores predicted. Score one for the "minority mismatch" side. However, once these students graduated, many of them joined the ranks of the elite. They went to graduate school; entered the top echelon of business, medicine and law; earned big bucks; and became pillars of their communities.

What's to be made of those findings? Bowen and Bok read the results as proof that affirmative action is good for these students; and because the Establishment is rendered more diverse, it's also good for the country. But the critics see things differently. To them, "The Shape of the River" confirms the fact that an Ivy League diploma is a ticket to success—and that means white students with better academic qualifications are truly disadvantaged if they are turned away.

A 2008 study of the "ten-percent" admissions policy in Texas, reported recently in *Inside Higher Ed*, mounts a stronger challenge to the anti-affirmative action position. The Texas policy works like this: High school students who graduate in the top tenth of their class are assured a place at one of the state's most competitive universities, the University of Texas and Texas A&M. Their SAT scores don't matter; and whether they come from a leafy Dallas neighborhood or a Brownsville barrio doesn't matter either. Eighty percent of the undergraduate slots at these two universities are filled in this way; the rest of the students—those promising quarterbacks, saxophone soloists and budding Shakespearians—are picked by the admissions office.

Unlike affirmative action admissions policies, this plan is formally color-blind. But since many high schools in Texas are overwhelmingly Hispanic or black, the ten-percent rule has boosted minority enrollment; and because those students typically have lower SAT test scores, experience there affords a good test of the "mismatch" theory. If the theory is correct, then black and Latino students at the flagship campuses should do worse than if they had attended a less selective school. In fact the oppo-

It seems that students—minority students in particular—rise or fall to the level of expectations, although that conclusion might surprise the anti-affirmative action crowd.

Both positive and negative stereotypes affect how non-white students do on tests; change those expectations, and academic performance can change as well.

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site is true—these students are 21 percent more likely to earn their bachelor's degree than are students with similar qualifications who opt to enroll in one of the less selective universities. The losers are minority students whose class rank isn't quite in the top ten percent, but who, because they graduated from top high schools, would previously have been admitted to one of the flagship universities—their graduation rates decline.

A natural experiment at the University of California bolsters these findings. UC admits a sizeable number of students who transfer from community colleges in their junior year. Despite the fact that many of them would never have made it as freshmen on the basis of their high school grades, they do as well academically as students with more stellar high school records who arrive as freshmen. What's more, the community college transfers take less time to graduate.

“At-risk” students can thrive if they are introduced to the brand of idea-filled instruction typically reserved for “gifted” children, instead of suffering through skill-and-drill teaching.

thought, they are tacitly embracing Charles Murray's mistaken claim, recently propounded in his 2008 book “Real Education,” that only a minority of undergraduates can actually do college-level work. The result, at Big U, is a self-fulfilling prophesy: high dropout rates, a waste of talent and a loss of human capital.

Big U—and Charles Murray, for that matter—could learn a lot from studying the Accelerated Schools model, developed a generation ago by Columbia Teachers College

It seems that students—minority students in particular—rise or fall to the level of expectations. Although that conclusion might surprise the anti-affirmative action crowd, any professor knows that expectations matter. At Harvard or Princeton, flunking out is a rarity, and those on the verge of failing get kid-gloves treatment; the assumption is that if a student is good enough to be admitted, she is good enough to graduate. By contrast, at Big U—the mass universities where almost all comers get in—students are left largely to their own devices, and it is taken for granted that many of them will drop out or flunk out.

While Big U academics will blanch at the

professor Henry Levin and widely used in public schools. The premise of Accelerated Schools is that “at-risk” students, many of them poor and non-white, can thrive if they are introduced to the brand of idea-filled instruction typically reserved for “gifted” children, instead of suffering through skill-and-drill teaching that supposedly is geared to their lower abilities. Evaluations have largely borne out this claim—higher expectations really can generate greater achievement.

The “stereotype threat” line of social psychology research on college students' academic performance, conducted by Stanford professor Claude Steele and others, points to a similar conclusion: Expectations can spell success or failure. Minority students are especially vulnerable—when they are exposed to negative stereotypes, their test scores plummet. “Conditions designed to make black subjects stereotype vulnerable,” like telling minority students who are about to take a sample Graduate Record Exam that the GRE tests their ability, “depress their performance relative to white subjects,” said Steele. The good news is that when such stereotyping is eliminated—when undergraduates are told they are taking a problem-solving test—not an ability test—black students do dramatically better.

These disparate findings—the Bowen-Bok study of elite universities, the University of Texas “ten-percent rule” research, the natural experiment in California, the positive results from Accelerated Schools, and the social psychologists' conclusions about the effect on minority students of exposure to “stereotype threats” and positive role models—tell a common story. Both positive and negative stereotypes affect how non-white students do on tests; change those expectations, and academic performance can change as well. These findings should put defenders of the “mismatch” theory on the defensive. What's more, if minority students actually do better in a high-expectation academic environment, then there's good reason to question the bedrock argument against affirmative action—that race-conscious admission policies are unfair to white students.

Goodbye ideology, hello evidence? That's too optimistic, for it's hard to persuade ideologues to confront inconvenient truths. Still, this research should embolden defenders of affirmative action—it shows that race-conscious admissions is not, as the critics insist, a sop to political correctness. It is smart human capital policy. ♦

David L. Kirp, professor of public policy at the University of California, Berkeley, and a regular contributor to *National CrossTalk*, worked on education policy issues as a member of the presidential transition team.

KAUST*from page 1*

the University of California and their unborn institution.

The Berkeley proposal was merely one piece of a lavishly funded and unprecedented plan to propel the King's university into the front rank of science and technology institutions. Similar phone calls by Press, and similar visits by Saudis, were made to Stanford University, UC San Diego, the University of Texas at Austin, the University of Cambridge, the Imperial

The Berkeley proposal is merely one piece of a lavishly funded and unprecedented plan to propel the King's university into the front rank of science and technology institutions.

College of London, and a number of others.

All of these institutions now find themselves in partnership with KAUST, proposing new faculty, developing research agendas and, importantly, lending their names to the new institution. KAUST has not revealed how much it has spent thus far on the partnerships, but figures available from other sources put the total at half a billion dollars, with expectations that another half billion is coming.

In Berkeley's case, current contracts call for KAUST payments of \$36 million. At Stanford the agreements have hit \$60



Jean-Claude Latombe, a professor of computational science at Stanford University, said King Abdullah University will attract better graduate students, because they “know they will have an ongoing relationship with Stanford.”

million. At most other institutions the payments will range from \$8 million to \$25 million. In addition to payments for specific services, such as supplying curricula, KAUST is also underwriting research at the participating institutions and providing undergraduate scholarships at the partner campuses.

American universities occasionally have given assistance to nascent institutions in the Middle East and other locations. In the Middle East, the results have been mixed. A joint project between George Mason University in Virginia and a ruler in the United Arab Emirates

proved troublesome, and some other western-assisted campuses have found difficulties attracting qualified students.

But KAUST is a creation of a different order. Never has so much money been available, never have the announced goals been so high, and never have so many major universities agreed to help a fledgling effort.

Sheldon Rothblatt, a former Berkeley historian who has studied the development of universities, said the Saudi strategy represents something new. “I've never heard of anything like it,” he said. “New university ventures usually do not have enormous

resources. Can the Saudis succeed? Possibly, yes. It depends on how smart they are, whether the money goes to the right purposes.”

And what, exactly, is KAUST getting for its enormous expenditures on partnerships with the likes of Berkeley and Stanford? Computational science professor Jean-Claude Latombe at Stanford, who was involved in the negotiations with KAUST, said the Saudi campus will get the benefit of Stanford's accumulated expertise in creating its own computational research.

But there's something more, Latombe said. The Saudis will also be getting the prestige of one of the greatest computer science departments in the world, a place regarded by many as the very birthplace of Silicon Valley. “Candidly, many graduate students will apply to KAUST because of the connection with Stanford,” he said. “KAUST will get better students, and the students know they will have an ongoing relationship with Stanford.”

Asked if Stanford's honored name had been purchased with KAUST's millions, Latombe shrugged. “If the Saudis did not do it this way, they would fail. These collaborations are essential to building a great university. If KAUST had decided to spend its money merely on itself, on its campus and its research facilities, it would never work.”

Certainly, ambitions at KAUST have been writ large from the very beginning. With its first announcement in 2007, the Saudis declared that KAUST would be a “world-class” university. The plan for the campus itself, huge at 17 square miles, actually looks more like a planned community in the United States than a major university. Suburban-like subdivisions, sports clubs and shopping centers spread outward

from the teaching halls and laboratories.

The most remarkable aspect of KAUST's announcement was the goals. Universities with "world-class" attached to their names are virtually non-existent in the Muslim-speaking world, and no university in Saudi Arabia comes close. Many explanations have been offered to explain the decline of higher education in the Muslim world, but the fact remains that most Islamic universities are widely regarded as intellectual backwaters, particularly in the areas of science and technology.

A 2003 report by the United Nations recited a litany of academic failures in Muslim countries and referred to "an

American universities occasionally have given assistance to nascent institutions in the Middle East, where the results have been mixed. But King Abdullah University is a creation of a different order.

almost total absence of advanced research" in the Arab region. And in 2007, Pervez Hoodbhoy, a physics professor at Quaid-i-Azam University in Pakistan, wrote a startling article in *Physics Today* describing the intellectual environment of his own university: "Here...films, drama and music are frowned on, and sometimes even physical attacks by student vigilantes who believe that such pursuits violate Islamic norms take place. The campus has three mosques with a fourth one planned, but no bookstore," he wrote.

Scientific research, Hoodbhoy continued, constantly clashed on his campus with

the revealed truth of religion. "In those circumstances, scientific research becomes, at best, a kind of cataloging or 'butterfly-collecting' activity."

So the announcement that KAUST would not only circumvent such handicaps but rise to the top rank of research institutions raised more than a few questions. The wonderment only increased when officials later became more specific, predicting KAUST would reach the top 20 of science and technology universities worldwide within ten years.

The simple fact is that no fledgling university has ever accomplished such a goal. According to Berkeley historian Rothblatt, Berkeley took about 40 years to be recognized as a leading institution, and Stanford took about 60.

It simply takes time to attract top scholars and develop intellectual momentum. Many universities aim for the top; most never make it. And one particular obstacle for any new institution, especially a science institution, is breaking into the clubby network of scholars that spans the campuses of leading universities. Within the network, researchers trade ideas, pursue joint projects, share publication credit, suggest faculty hires, and generally promote the network's standing. You're either in the network or you're out. And if you're out, your institution will never be regarded as a leader.

In corraling the likes of Berkeley, Stanford and Cambridge into collaborations, the Saudis were attempting to create a more-or-less instant network. The partnerships may prove lasting, or they may not. But the attempt itself is remarkable for its subtle understanding of how high-level science research proceeds. And it is all the more remarkable because, initially, the Saudis in charge of KAUST knew virtually nothing about creating a university.

The original organizers of the university, in fact, were not university people at all. They were oil people. When King

Abdullah decided to establish KAUST in 2006, he pointedly bypassed his own Ministry of Education and instead gave the task to Aramco, the country's giant oil company.

The King called together a small group of Aramco executives and told them he wanted the new institution to operate along the lines of the company's well-known petroleum communities, where expatriate employees live in walled compounds that are separated from Saudi society and operate mostly under western, rather than Saudi, rules. Other than that, the King's instructions were simple: He wanted a university of the top caliber that would operate in intellectual freedom, he would pay for it himself, and he wanted it soon. The King is 84 years old. Everything else he left to the Aramco executives.

Ahmad Al-Khowaiter, one of the Aramco executives, said in a telephone interview from Jeddah that the task was so daunting that



"The department deans are selling the university by the board foot, and resistance is mostly futile," said William Drummond, a UC Berkeley journalism professor who was chairman of the faculty Academic Senate when the Saudi proposal was considered.

the group initially operated in a bit of denial. "We told ourselves that this was a giant construction project, just like many others we had done. So we looked around and said, 'OK, where are the sponsors who can tell us what to build? Then we realized there were no sponsors, that we had to figure it out for ourselves."

Scrambling around, the group hit upon two American consulting groups who could offer advice: the Stanford Research Institute and a lesser-known firm in Washington, D.C., the Washington Advisory Group. Small but high-toned, the Washington Advisory Group roster includes Frank Press, former Cornell University President Frank Rhodes, and others of similar stature. Both groups began funneling ideas to the Saudis.

Within a month the basic concepts of the university had emerged. KAUST would admit graduate students only, and would dispense with traditional departments, organizing itself instead around interdisciplinary research centers. The campus would offer the highest quality laboratories and scientific equipment available. It would operate under bylaws establishing western-style intellectual freedom, and would be governed by an independent, international board of trustees.

The Saudis loved the plan and almost immediately embarked on a worldwide tour of universities to announce the upcoming birth of KAUST and, under Press's urging, to inquire diplomatically about collaborations with their new venture. The response was polite rejection.

"Let's say there was a lot of skepticism," said Al-Khowaiter. "The message was, 'Great concept, good luck.' Not many universities wanted to take a risk on us at that point. I think there was this psychological barrier about our region and its stereotype."

In Washington, Press and his colleagues reconnoitered. "They (the Saudis) had high aspirations, and they absolutely needed the help of other leading universities," said Press in a telephone interview

from Washington. "It's not something anyone can do alone. So we hatched the idea for some programs that could be offered to other universities."

Ultimately, those programs amounted to the great stroke that got KAUST into the network. The programs bear little resemblance to typical university collaborations and, in fact, were drawn from two non-university models: the National Science Foundation and the Howard Hughes Medical Institute.

Both of these organizations make grants for research but do not conduct research themselves. And that is exactly what KAUST offered to other universities. It would fund research at their campuses in return for the goodwill of the university, some advice and counsel from the faculty

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and, of course, a public announcement of the partnership.

One program known as "Global Research Partnership Centers," for example, makes grants ranging from \$5 million to \$25 million to establish research centers at other campuses. Another, the "Academic Excellence Alliance," offers roughly \$25 million for advice on curricula and hiring in addition to research. Yet another program funds individual scientific research projects with grants of \$10 million each.

A key for KAUST was the provision that KAUST-funded scientists would have regular contact with their benefactors. They would visit the Saudi campus, lead

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seminars, and eventually, perhaps, pursue joint projects with members of the KAUST faculty.

Such a model, of course, could be pursued only by a new university of untold wealth. The first round of collaborations and grants was funded at \$1 billion, half of which has now been allocated. And thus far it has succeeded beyond expectations. Press made initial contacts with 12 or 13 universities, and virtually all of them agreed to participate. Some, such as Stanford, are taking part in several collaborations.

For the participating universities, the partnerships with KAUST represent some obvious risks. First and foremost they are gambling that their association with the new university will not end in embarrassment, and that KAUST's commitments to intellectual freedom and non-discrimination will not prove to be temporary.

Indeed, at one level the trust extended to KAUST seems remarkable, given Saudi Arabia's troubled history of political and intellectual repression. Only last month did the authorities release from prison a professor at King Saud University, Matrook Al-Faleh, who had spoken out against the holding of political prisoners in his country. Faleh had remained behind bars for eight months without charge or trial.

Such events are not rare in Saudi Arabia. And the State Department's advisory on travel to Saudi Arabia contains this

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paragraph: "Saudi authorities do not permit criticism of Islam or the royal family. The government prohibits the public practice of religions other than Islam. Non-Muslims suspected of violating these restrictions have been jailed. Homosexual activity is considered to be a criminal offense and those convicted may be sentenced to lashing, prison or death."

Even so, most opposition to the KAUST partnerships has been muted on American campuses. When the deal between KAUST and Berkeley's mechanical engineering department was submitted to the Academic Senate and to the Task Force on University-Industry Partnerships, concerns were ritually expressed by both groups, and then the contract was given the green light.

William Drummond, journalism professor at Berkeley and chairman of the Academic Senate when the proposal was considered, says the campus has grown jaded by an ever-expanding series of collaborations with industry and outside entities such as KAUST.

Over the last decade Berkeley's political pot was stirred first by a \$25 million research collaboration with drug-giant

Novartis and then by a \$350 million collaboration with British Petroleum.

"Everyone is exhausted with these deals and the wrangling over them," said Drummond. "The department deans are selling the university by the board foot, and resistance is mostly futile. The only motive of the deans is to mollify the critics and get on with it."

Asked if he would have preferred a rejection of the KAUST package, Drummond shrugged, as if accepting the inevitable. "The truth is, we need the money. Sometimes I wonder if the legislature is going to keep the lights on. We have buildings on campus that are so shabby and neglected that professors refuse to use the bathrooms. Instead they walk over to the new buildings that were probably put up with money from a big collaboration."

Ironically, the only meaningful resistance to the KAUST venture showed up not among Berkeley's famous political activists but in its civil engineering department. Even while the mechanical engineering department was promoting its deal in the Academic Senate, its brother department was quietly saying no to a similar deal with the Saudis.

Armen Der Kiureghian, vice chairman of the department, said the opposition amongst the civil engineering faculty grew out of the "bubble concept" on which KAUST will be based. Even assuming that conditions of intellectual freedom and non-discrimination remain steadfast inside the bubble, he said, the repressive rules outside will pose a continuing threat.

"Top universities exist in a cultural mix with their societies," he explained. "Ideas move back and forth, and they become bound together. In a bubble, that doesn't happen, and you suffocate the growth of the university."

Pervez Hoodbhoy, the Pakistani physicist, suggested another risk that might arise from the bubble. In an e-mail, he welcomed the experiment at KAUST but worried of a backlash when Saudis become aware of the liberalized rules inside the university.

"My fear is the public media," he wrote. "If it gains more freedom in Saudi Arabia—as it has in Pakistan—it could well bring out how different life inside and outside the bubble actually is. That could make it all unravel."

Chancellor Birgeneau acknowledged these risks and said he worried that even a single incident of repression could bring down the curtain on the partnership. "Let's say a gay female faculty member goes to KAUST and gets banned. We would have a very big problem," he said.

The department heads at Berkeley and Stanford who have bought into the deals say they are aware that the collaborations could go sour. Those possibilities were debated at length within the departments, according to them, but other arguments prevailed.

"I'll be blunt," said Albert Pisano, chairman of Berkeley's mechanical engineering department. "You never know how something like this will work out. The reason we took the chance is that it represents an opportunity to have a positive impact on that part of the world. And we



"The reason we took the chance is that it represents an opportunity to have a positive impact on that part of the world," said Albert Pisano, chairman of the UC Berkeley mechanical engineering department. "And we will also learn and grow from the experience."

will also learn and grow from the experience. That's our hope."

At Stanford, Bill Dally, chairman of the computer science department, said the KAUST deal was initially greeted with "heated debate" inside the department. "But eventually a consensus evolved," he said. "We were repeatedly impressed by the KAUST representatives. They were bright, credible, and they had anticipated most of the failure modes that were brought up. We finally decided the gamble was worth it."

At KAUST itself, progress proceeds at a frenetic pace. The first president, Choon Fong Shih, former president of the National University of Singapore, assumed his post in December. Thousands of workers arrive at the construction site each day to complete the campus by September. Yet another development, a high-tech industrial city, is being built nearby. KAUST officials say there has been no slowdown as a result of the worldwide economic crisis or collapse of oil prices.

As for recruiting, both American and KAUST officials say it has gone better than expected. Fawwaz Ulaby, former vice president for research at the University of Michigan, who is KAUST's new provost, says that about 50 of the 100 faculty positions have been filled, with six of the new spots being taken by women.

"We think the quality of the faculty is very high," Ulaby said in a telephone interview. "People will ask why, in Saudi Arabia, we can attract people of this caliber, and I tell them it's simple. Anywhere else, researchers must spend 50 percent to 70 percent of their time chasing money to sustain their research. And many are tired of it. At KAUST they will be provided stable funding from the beginning, they will have access to more funding on a competitive basis, and they will have the best-equipped campus in the world to conduct their research. It's a huge incentive."

Ulaby cited the expected arrival on the campus of one of the world's most powerful supercomputers, being assembled by IBM, as one indication of the technical

quality of the campus. Other research tools include nuclear magnetic resonance spectrometers—multi-million-dollar machines used to study the structure of molecules. "In the entire state of Michigan we had one such machine that had to be shared by everyone," Ulaby said. "At KAUST we will have six."

The first two classes of graduate students have also been selected. About half come from the Middle East and one-fourth each from Asia and Europe/North America. Roughly 25 percent of the group is female, and students come from 67 different countries.

Much will be riding on the new faculty and students. Supporters say KAUST could have a positive impact on the entire region, or at least other universities in the region, if it evolves into the leading institution that the founders intend. But first the faculty and researchers must show that

The first two classes of graduate students have also been selected. Roughly 25 percent of the group is female, and students come from 67 different countries.

they can compete with the best from other universities.

That will place special pressures on the early arrivals, and KAUST officials predict the researchers will find themselves in an old-fashioned, western-style race to publish research results in respected science journals.

Asked for the criteria he will use to judge the success of KAUST, Aramco's Al-Khowaiter answered quickly. "Within five years," he said, "I want to see KAUST research on the cover of *Nature*." ♦

Robert A. Jones is a former reporter and columnist for the *Los Angeles Times*.