

A Call for the Miracle Model

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**Abstract:** Lyall asks that we break the silence about what is happening to public higher education funding and begin to address the repercussions of privatization.

**Essay:**

America is rapidly privatizing its public colleges and universities, and that process is raising questions our society desperately needs to grapple with. Who should aspire to a higher education? To what extent are education's benefits public and social in nature, and to what extent is higher learning a private good? What are the core values of higher education and what are we willing to pay to preserve them?

The move toward privatization is the result of a "perfect storm" of economic and political trends that are putting insurmountable fiscal pressures on the states. When Republican tax policy architect Grover Norquist said, "I simply want to reduce government to the size where I can drag it into the bathroom and drown it in the bathtub," he articulated an increasingly popular view of government. Currently, this view is driving the federal government to shift costs and risks formerly borne at the national level to the states, and the states, in turn, to shift costs and risks to individuals. The idea of privatizing a portion of Social Security and the continuing press for reductions in tax bases and tax rates follow this line of thought. And public colleges and universities are swirling in the vortex of this ideological storm as institutions scramble to find new ways to fund the educational enterprise by diversifying revenue sources and addressing new constituents.

Public colleges and universities, which enroll 77 percent of all students in higher education, drew more than half of their operating support from taxpayer sources in the 1980s; today money from state coffers provides about 30 percent of funding. At some of the nation's most prominent public universities, such as the University of Virginia and the University of Colorado, state funding contributes less than 10 percent of university operating support. This steady disinvestment in higher education by the states does not

seem to reflect a clear public policy decision to reduce higher education opportunities. It indicates instead structural problems in state budgets and budgeting practices. Indeed, the criticism of higher education for "exorbitant" tuition increases demonstrates a continuing belief by legislators that access to higher education is more essential than ever, both for individuals and for the state's economic future, and that somehow universities should find a way to maintain access despite the steady erosion of funding.

In response to criticism from state legislatures, and from the U.S. Congress as well, public universities have been extraordinarily diligent and creative in diversifying their revenue sources: today, no single revenue source dominates—as mentioned, state funds provide 30 percent, tuition supplies about 20 percent, and gifts, grants, and contracts (mostly for research) constitute 50 percent or more. In effect, state taxpayers have become *minority shareholders* in their public colleges and universities.

The move toward privatization of public colleges and universities poses both threats and opportunities. Many argue that universities, like other entities, can benefit from exposure to the competitive discipline of the market to make them more focused in mission and more efficient in operations. The market, they argue, will break the bonds of tradition and either free or force universities to serve students better. But others worry that privatization is forcing universities to sell out to corporations and donors, to deny access for low-income students, and to abandon their core public purposes, including the extension of intellectual and human assets to the larger community.

Whatever one's view, the stark facts are:

- Public support (per student) for public universities has been falling for two decades or more—and with growing fiscal pressures on states, there is no relief in sight.
- Higher education leaders have encouraged growing access without considering how it can be paid for—we see the urgency of the need but have not anticipated the shifting fiscal and political circumstances in which it must be met.
- The 20th century "social compact" among states, families, and higher education has been abandoned *de facto*—neither elected officials nor educators want to admit this, but a realistic adjustment cannot be made until they do. Finger-pointing and accusations of bad faith, bad management, and bad priorities will not work.

As some state leaders begin to pay attention and realize that solutions are needed, they are creating interesting experiments in higher education funding. For example:

**Charter universities** are being created. The Virginia state legislature has just adopted legislation providing for three tiers of charter status that permit public universities to obtain greater operating autonomy in exchange for meeting specified state performance goals. This relationship more honestly recognizes the state's minority stakeholder status

and frees the university to obtain management efficiencies outside the contractual constraints of state government.

**Hybrid universities** like Cornell University and the University of Virginia operate with a mix of publicly supported and privately endowed units within the same university structure. This permits focusing scarce state funding on units and programs that state decision makers designate as of critical state interest, leaving the operation and funding of remaining units/programs to the university operating privately.

**Full-cost pricing** experiments, like Miami University in Ohio where tuition is set to cover full costs of operation, and financial aid set-asides from the tuition revenues are used to ensure access for low-income students.

Experiments like these are being closely followed and will help to answer the question of how much of higher education's "core public purposes" can be sustained as public support wanes.

Promising experiments aside, we urgently need a public discussion of a new sustainable higher education policy, based on realistic financial and operating expectations, that outlines the commitments of federal, state, and higher education institutions. Without this public debate, privatization will continue to an inevitable end of fewer institutions, less access—especially for those of modest income—and erosion of our economic future.

My own view is that the higher education universe is converging towards a new model, the "public purpose university," defined not by the old concepts of ownership and control (public vs. private) but by the particular public goals it has elected to serve. No longer can we expect Clark Kerr's multiversity to be all things to all people. The core public purposes of higher education must be collectively achieved (if they can be sustained at all) through specialization and allocation of resources across all higher education institutions. In this new model, both research and teaching missions will become more focused, and more collaborative activity will occur between and among "public" and "private" institutions, coordinated by statewide university systems.

This view may hinge on a spirit of cooperation that will be difficult, if not impossible to achieve. But as Barack Obama has said: "The true genius of America [is] a faith in simple dreams, an insistence on small miracles." Our public colleges and universities share that faith and work daily to bring about those small miracles.

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