



Policy Brief

May 2010

PUBLIC HIGHER EDUCATION FORUM

How to Fix a Broken System: Funding Public Higher Education and Making It More Productive

Setting a Pathway to Greater Productivity Within New Funding Realities

Summary of a special program of the
Princeton University Policy Research Institute for the Region
in conjunction with
New Jersey Association of State Colleges and Universities

April 2, 2010
Woodrow Wilson School, Princeton University

Overview of Program

Seventy percent of undergraduates in the U.S. depend on public institutions of higher education to help them achieve the American dream. Public colleges and universities, in turn, depend largely on state government appropriations and increasingly tuition dollars for financial support. This funding model which has been faltering for over a decade—is now broken and needs to be fixed.

State tax appropriations in FY 2009 per full-time equivalent student at public colleges and universities were 12% lower in constant dollars than 10 years ago. The decrease is not a one-shot reaction to current recession, rather the share of public college and university budgets provided by the states dropped from a peak of about 50% in FY 1979 to about 36% in FY 2000.

As state appropriations go down, tuition goes up. Between FY 1980 and FY 2010, tuition and fees at public four-year institutions grew about 325% in inflation-adjusted dollars.

The situation will not improve soon. The twin problems of shrinking appropriations and increasing tuition are more acute in New Jersey than in most states. Between FY 2007 and FY 2009, New Jersey was one of only three states to decrease its state tax appropriations for higher education. Appropriations will probably go even lower in the immediate future as the state is plagued by structural budget deficits, high debt payments, and an underfunded pension system.

New Jersey has one of the most expensive systems in the country. In FY 2008, New Jersey's public four-year institutions had the highest total of tuition, fees, room and board (\$19,548). And, between the late 1990s to 2008, the share of family income needed to pay for college expenses at New Jersey's public four-year institutions increased from 19% to 34%.

Despite the costs, New Jersey's public colleges and universities are attracting record numbers of students. Between 2000 and 2006, enrollment at four-year public institutions in New Jersey rose from 111,449 to 122,967, an increase of over 10% - and the demographics of New Jersey high schools suggest public colleges and universities should expect steady enrollment for at least the next decade.

Introduction

Policy Research Institute director and forum co-sponsor, **Richard F. Keevey**, welcomed approximately 80 participants.

Mr. Keevey pointed out one chief paradox facing higher education today: cresting recognition of its importance to the individual's future and a perception of declining availability and affordability. Given the compelling need for preserving access and affordability in the public interest, he questioned whether the times demand a hard, new look at how higher education does business, with an eye toward greater institutional productivity.



Richard F. Keevey

New Jersey Association of State Colleges and Universities CEO, **Darryl G. Greer**, explained the goals of the Association (co-sponsor of the event), recognized and thanked all special guests and experts serving on panels, and those who helped to plan the forum.



Darryl G. Greer

Dr. Greer explained in detail some of the key trends affecting New Jersey's nine state colleges and universities, including in recent years a substantial state disinvestment in higher education over a period of two decades. He pointed to poll information which shows that 70% of residents believe that student financial aid will not help them. Polls, he said, also show that most residents are confident that nonpartisan institutional trustee boards, rather than Trenton officials, will spend public funds wisely. Nevertheless, a critical question remains given adverse funding trend lines: "If the funding problem is unsolved, how much longer will citizens place confidence in public colleges to provide access to an affordable, high-quality educational experience?"

A National Context



Richard Novak

Richard Novak, Senior Vice President of the Ingram Center for Public Trusteeship at the Association of Governing Boards of Colleges and Universities, provided a national context for the day's deliberations. Mr. Novak contends that several indicators, including billions in state debt across the nation, indicate that public finances will not improve for the foreseeable future. He said that 2010-2020 is shaping up to be a "lost decade for public financing," with higher education especially vulnerable as a discretionary item. There are signs that the current funding model for higher education is already broken. New Jersey is no exception. He cited a recent report by the State Higher Education Executive Officers that showed New Jersey had the third-greatest decrease in educational appropriations per FTE between FY 2004-2009.

Given this, Mr. Novak says, transformation of public higher education may be a necessity. This will include administrative restructuring, new funding strategies, faculty involvement, cross-disciplinary efforts, and bringing together stakeholders while remaining committed to public purposes.

A positive trend is increasing recognition of higher education's ascendance as an issue at the state level, now viewed as third most important matter for legislatures, when in the past it was no higher than tenth, according to the National Conference of State Legislatures. A growing trend at state level, substituting for scarce funds, is for the state to provide public institutions greater control of tuition revenue, purchasing, and construction. More broadly, regulatory reform is getting more attention nationally as a way to support public higher education productivity in the face of diminishing public investment. Another key trend where there has been success in the UK is performance-based incentives (*e.g.*, degree completion) based on

outcomes rather than input variables.

Overall, Novak cautioned that restructuring requires participation from all stakeholders. To succeed, college administrators need to work with faculty on new ways of doing business and delivering services.

Fixing a Broken Model: Funding and Degree Production

Dennis Jones, president of the National Center on Higher Education Management Systems (NCHMES), addressed the forum's theme and described the system for funding public higher education as broken from Day One. Throughout the U.S., there is diminishing connection among appropriations, tuition and financial aid.

Jones shared his concerns that, amid budget reductions, the U.S. is falling behind other advanced nations in providing higher education to the youngest segments of the population. The national conversation needs to shift more towards degree completion than simply enrollment.

To meet the State of New Jersey's share of international competitiveness goals set by President Obama, Mr. Jones said, the state would need to produce 145,000 more college graduates by 2020. That would require 3.6% annual increases in the state's degree productivity each year over ten years, which equals 2,200 more graduates year over year.

The NCHMES president said that funding per student at New Jersey public institutions (two-year and four-year), including tuition and state and local government sources, is higher in New Jersey than in most other states, and there is room for improvement in degree productivity in all sectors.

Panel discussion. A panel discussion followed, featuring **David G. Carter**, chancellor of the Connecticut State University System; **Arnold Speert**, president of William Paterson University; and **John Cavanaugh**, chancellor of the Pennsylvania State System of Higher Education. The panel explored expectations about what states, such as New Jersey, can realistically do to make higher education more accessible and affordable.

The Pennsylvania State System of Higher Education has kept tuition increases at Consumer Price Index levels and works within a state appropriations framework based partially (8%) on achieving performance indicators. Leaders have not accepted the "Iron Triangle," as described by the National Center for Public Policy and Higher Education, under which costs, quality, and access are linked in an unbreakable reciprocal relationship. Leaders in Pennsylvania do not assume that cost reduction invariably has adverse effects on quality indicators or enrollment potential, although there is concern that could be a "tipping point" at which there will be such adverse effects if fund declines continue.

There was consensus that college leaders ought to drive the state and national conversations about cost



Dennis Jones, David Carter, Arnold Speert, and John Cavanaugh discuss what New Jersey can do with limited resources.

while being well prepared to produce evidence supporting their arguments. In Connecticut, two maps get legislator's attention: one showing the municipalities where students come from and the universities they attend; and one showing where alumni are located.

The Connecticut State University System reduced its expenses in the face of cuts to state appropriations. The key was gathering all constituencies to discuss the problem and devise solutions. An important constituency is the faculty, particularly in a unionized state.

Regulatory reform would help reduce costs in Connecticut. Construction, for example, can take twice as long to complete in the Connecticut State System compared to the private sector.

Today, much of the public is college educated and, as one result, appropriately skeptical. Leaders need to engage these skeptics. In addition, college leaders need to start conversations about what higher education does that is in the national interest; build upon the wide public agreement that higher education is key to successful careers and economic development; and connect better with those who represent the underprivileged and those of limited means – a population that ought to have stronger participation in higher education.

There is a need to increase the public's understanding, through information and narratives of the value that higher education provides. Conversely, higher education needs to better understand what it currently does that the public already values.

The external demands on higher education and limited financial resources are accelerating the clash between the traditional, deliberative, shared (with faculty) governance model, and a world that tends to be instantaneous, flat (nonhierarchical) and on the go 24-7. The new realities mean the need for:

- ◆ Realistic accountability measures, not just paper forms "*Filling out forms is killing us;*"
- ◆ Looking at possible mergers of functions internally and externally for economies of scale;
- ◆ A different educational workforce, revisiting functions, disaggregating in some academic areas (*e.g.*, instructional design from content/discovery);
- ◆ Discerning knowledge certification from seat time in evaluating productivity.

The panel participated with the audience to discuss higher education governance in New Jersey. Prominent members of the audience included Governor Jim Florio and former New Jersey Chancellor of Higher Education Ted Hollander. The discussion centered on the 1994 Higher Education Restructuring Act, which granted more autonomy to the senior public institutions and eliminated the Department of Higher Education. Competition under the current system, some argued, causes institutions to direct resources toward high-priced items, like amenity-filled dormitories. Others argued that New Jersey's county colleges and state colleges have thrived with the elimination of rigid regulations under the old system.

The panel and audience also discussed the importance of making public higher education a higher policy priority for the governor and legislature. Some argued that without centralized leadership, no one advocates the needs of public higher education to the governor. Others argued that the governor himself, or herself, decides how the state budget is allocated and what issues gain prominence. During economic downturns like the current recession, it is difficult to spend money on a discretionary part of the budget like public higher education.

Policymakers and institutional leaders should meet to discuss how public colleges and universities can best serve the interests of the state and the country. They need to discuss what they want the outcomes from the public institutions to be.

Defining and Achieving Productivity

Jane V. Wellman, executive director of the Delta Cost Project, challenged the group with several key questions (some of them paraphrased below) about whether public higher education's productivity can be improved, asking participants to signify their viewpoint. In no cases were responses unanimous.

- ◆ Does higher education have a significant cost control problem, or is it overblown by critics and the media?
- ◆ Can productivity improvements be made without compromising access or quality?
- ◆ How can the funding challenges affecting public higher education best be solved? (Options: increase public funding/increasing student tuitions/spending resources more wisely/reducing the number of students who aren't academically prepared/enrolling a higher proportion of students in community colleges)
- ◆ Has your institution "restructured costs" or just "balanced the budget"?
- ◆ Which is the biggest barrier to increased cost effectiveness? (Options: competition for prestige/student demand for amenities/consensus-driven governance/state regulations and reporting requirements)

Panel discussion. Panelists for the follow-up discussions on increasing productivity included **R. Barbara Gitenstein**, president of The College of New Jersey, **Steven J. Diner**, chancellor of Rutgers University – Newark, and **John L. McGoldrick**, Montclair State University trustee and chair of New Jersey Association of State Colleges and Universities.

Productivity measures were discussed as an institutional mission-based task given the diversity of goals and missions in American higher education. Some institutions, such as The College of New Jersey, compare themselves to peer institutions in other states with similar missions and profiles (both aspirant and actual peers) vs. other New Jersey institutions within the sector with different profiles. The bottom-line products are students' progress and learning.



Jane Wellman

States may have metrics of productivity, but they are not necessarily used to determine funding of institutions. In some states, there are very explicit, widely acknowledged goals for higher education. That is not so true in New Jersey, perhaps in part because of respect for mission diversity. Nevertheless, many agreed that there ought to be a way of connecting the public purposes of higher education, institutional achievement of goals, and the equitable allocation of state funds.

Metrics of productivity are important, but may need to change over time with changes in the institution, its goals and the external environment. It is important not to get "too married to your [current] metrics."



Barbara Gitenstein

When comparing the efficiency of institutions in terms of money spent per degree, an important difference in cost is labor. Unionized states like New Jersey and Pennsylvania have higher labor costs than states like Florida. The issue of employee benefits is an important, but difficult one to consider when reviewing an institution's expenses.

Some acknowledged that some of the most creative steps toward productivity can occur in a climate of funding constraints. There was caution, however, not to equate "adapting" to budget cuts with "productivity." Making due can eventually harm the institutions' product.

Many agreed that broad transformation of the institutions is necessary. Higher education is moving toward a new paradigm, from a focus on mastering a body of facts to learning new ways of thinking and learning about the world. The transformation also includes providing new avenues for degree earning, such as 2 plus 2 programs with community and senior public colleges.

There was a broad but unresolved discussion between the panel and audience over the definition of “productivity.” One panelist suggested productivity could be measured by graduation rates, but the number of bachelor’s degrees should not be the sole measure of productivity. Other important considerations include the number of low-income students who attain a degree, regardless of their graduation rate; research conducted by the institution; the contribution to revitalizing cities; the integration of new immigrants to society; and the service provided to a community.



John McGoldrick and Steven Diner discuss the challenges of defining productivity.

Timelines are important factors when measuring productivity by quarter is different from productivity by decade, and the metrics should be different. Productivity can focus on learning outcomes, but the total value of public higher education goes beyond degrees produced.

Conclusions

The following key themes reflect the general conclusions of the forum deliberations:

- ◆ Better state funding of public higher education is unlikely in the foreseeable future, and therefore institutions need to plan accordingly;
- ◆ The current enrollment and financial challenges facing public higher education demand transformative change, including a close look at management and educational delivery structures, functions, goals, and supporting revenue streams; and
- ◆ In a climate of scarce public funds, institutional productivity and public benefits must be carefully, and not too narrowly, defined.

All agreed that this is an exciting time for higher education, an opportunity to shape what higher education will look like, how it will be structured and financed to be more productive, and how it will be accountable for the value of public investment well into the 21st century.

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Areas for Future Exploration

How does New Jersey reach the president’s goal of 145,000 new college graduates by 2020 to help America become #1 globally in its college education program? What policies need changing; what new partnerships will need to be built? How do we pay for it?

How do we reform academic productivity? What will be the new roles and responsibilities of faculty?

How do we shorten time-to-degree to graduate more students sooner?

How can colleges restructure administratively to become more productive and to contain costs? What kinds of partnerships should be built with business?

How do we measure academic productivity? What are the metrics for different types of institutions? What incentives can be offered to increase productivity?

Panel Participants

David G. Carter

David G. Carter, Ph.D. is the chancellor of the Connecticut State University System. He is responsible for seeing that the policies, directives and decisions of the Board of Trustees are carried out. He also is responsible for providing oversight for the management and operations of the Connecticut State University System, which includes four universities - Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven and Western Connecticut State University.

John C. Cavanaugh

John C. Cavanaugh, Ph.D. is the chancellor of the Pennsylvania State System of Higher Education. He serves as the chief executive officer of PASSHE, which operates 14 comprehensive universities with a combined enrollment of nearly 117,000 students. The chancellor works with the Board of Governors to recommend and develop overall policies for the State System.

Steven J. Diner

Steven J. Diner, Ph.D. is the chancellor of Rutgers University-Newark, an institution he has led since July, 2002. He leads an institution of over 11,500 students, seventeen hundred full-time faculty staff and staff. Rutgers-Newark awards Ph.D., masters, baccalaureate and law degrees in colleges of arts and sciences, business, criminal justice, law, nursing, and public affairs and administration. U.S. News and World Report magazine has named it the most diverse national university in the United States for thirteen years in a row.

R. Barbara Gitenstein

R. Barbara Gitenstein, Ph.D. is the President of The College of New Jersey. Dr. Gitenstein has over 30 years of experience as a college professor and administrator in both the public and private sectors. She came to The College of New Jersey from Drake University where she served as provost and executive vice president. She is the first woman President of The College of New Jersey in its 153-year history. Dr. Gitenstein began her career in higher education as an assistant professor of English at Central Missouri State University. She held various faculty posts including professor of English and chair of the English department before being appointed associate provost at SUNY-Oswego.

Darryl G. Greer

Darryl G. Greer, Ph.D. is the executive director and founding CEO of the New Jersey Association of State Colleges and Universities. The Association – a Trenton-based, nonprofit organization is responsible for advancing and advocating the collective policy interests of New Jersey's nine state colleges and universities. Its major purpose is to advance state college autonomy, mission differentiation, and accountability following enactment of legislation in 1986 and 1994, advocated by the Association, granting the colleges greater independence from state government control. Dr. Greer played a primary role in advising the governor and legislature on the Higher Education Restructuring Act of 1994.

Dennis P. Jones

Dennis Jones is President of the National Center for Higher Education Management Systems (NCHEMS) with more than 40 years of experience in research, development, technical assistance, and administration in the field of higher education management and policy making. NCHEMS is a nonprofit research and development center founded to improve strategic decision making in institutions and agencies of higher education. A member of the staff since 1969, Mr. Jones assumed increasing levels of responsibility within that organization, becoming president in 1986.

Richard F. Keevey

Richard F. Keevey is the Director of the Policy Research Institute for the Region, Woodrow Wilson School, Princeton University -- and a member of the faculty.

Mr. Keevey was appointed by the President and confirmed by the Senate as the Chief Financial Officer for the U.S. Department of Housing and Urban Development. Rich also held appointments as the Deputy under Secretary of Defense for Financial Management and the Director of the Defense Finance and Accounting Agency. Mr. Keevey also served two Governors as the Director of Office of Management and Budget for the State of New Jersey.

John L. McGoldrick

John McGoldrick is Chairman of the Board of Trustees, New Jersey Association of State Colleges and Universities. Mr. McGoldrick chairs this statewide organization devoted to advancing the interests of higher education in New Jersey.

Mr. McGoldrick is also a Trustee of Montclair State University, whose Audit Committee he chairs.

Richard Novak

Richard Novak is a senior vice president at the Association of Governing Boards with primary responsibility to direct the Richard T. Ingram Center for Public Higher Education Trusteeship and Governance, at the Washington, DC-based Association of Governing Boards of Universities and Colleges (AGB). The Center's mission is to strengthen the relationship between public academic institutions and state governments by enhancing the performance and capacity of public governing boards.

Arnold Speert

Arnold Speert, Ph.D. became the sixth president of William Paterson University in 1985. He joined William Paterson in 1970 as an assistant professor of chemistry, achieved the rank of full professor in 1980 and served as Associate Dean for Academic Affairs and then Vice President for Academic Affairs before assuming the presidency.

Jane Wellman

Jane Wellman is the executive director of the Delta Project on Postsecondary Costs, Productivity and Accountability, Washington, DC. The Delta Project is a non-profit corporation focused exclusively on college costs and ways to use data to improve policy and institutional attention on ways to manage costs without compromising quality, access and degree attainment.

For additional details about this forum (participants, reports referenced, presentations), please contact NJ Association of State Colleges & Universities.



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