Privatizing America's Public Universities

Background Information for 2011 WJI Convergence Students
Instructor: Roy Atwood

The percentage of "public" funds in the budgets of the country's "public universities" is lowest in the history of American public universities. With state budgets in crisis and few state agencies exempt from cuts in funding, state universities are facing some of the most severe economic conditions in their histories. Some bold governors, legislators and university presidents are now saying publicly what was unthinkable just a few years ago: **privatize the state universities**, **set them free from state control and state funding**.

State legislatures and boards of education may still demand 100 percent control for political reasons, but they have little to no money to offer. States have become, *de facto*, minority share holders in their own state higher education institutions. Most states now fund their "public" universities below 50 percent of their total institutional budgets. Some institutions receive so little public support that they are already virtually private universities. For example, Pennsylvania funds only about 8 percent of Penn State's budget, the University of Oregon receives only 9 percent of its budget from state funds, and UCLA's Business School's state support tops out at 18 percent. Similar stories are now common across the 50 states. Today, more and more "public" institution administrations want freedom from their state governments which can no longer afford them.

Below is a sampling of resources and materials about the states and their public universities touched by cuts that would, in effect, make them a next generation of previously public but now private institutions:

Books

2006
Douglas M. Priest and Edward P. St. John, eds., ***Privatization and Public Universities***, Indiana University Press, 2006.
(http://www.iupress.indiana.edu/catalog/product_info.php?products_id=22837)

Inside Higher Ed interviewed the authors, Professors Priest and St. John on August 10, 2006, here: http://www.insidehighered.com/news/2006/08/10/private

General Articles, 2005-2011

2011
Doug Lederman, "State Budgets, In Context," ***Inside Higher Ed***, March 9,

2011 http://www.insidehighered.com/news/2011/03/09/stagnant_state_budgets_insufficient_to_cover_soaring_enrollments

Doug Lederman, “Flexibility--But For (and From Whom)?“ ***Inside Higher Ed***, February 28, 2011 http://www.insidehighered.com/news/2011/02/28/wisconsin_debates_whether_madison_should_stay_within_university_system

2009
Eric Kelderman, “Public Colleges Consider Privatization as a Cure for the Common Recession,” ***The Chronicle of Higher Education***, May 1, 2009
http://chronicle.com/article/Public-Colleges-Consider/44370/

2005
Doug Lederman, “Pitfall of Public-College Privatization,” ***Inside Higher Ed***, May 4, 2005 http://www.insidehighered.com/news/2005/05/04/privatization

State-Specific Developments and Resources

California

Source: http://www.insidehighered.com/news/2010/09/07/ucla
Giving Up State Funds, *September 7, 2010*
How bad are things in California? The budget cuts and fiscal uncertainty are so severe that the **University of California at Los Angeles's business school is proposing that it give up all state funding -- in return for greater budget flexibility and the right to raise out-of-state tuition to the levels of private institutions**. The plan has been approved by UCLA, but is awaiting a review by Mark G. Yudof, president of the university system.

. . . "The driver here is the decline in state support," said Judy D. Olian, dean of the Anderson School of Management at UCLA. She stressed that she did not view the shift as changing the business school's mission or its connection to the rest of UCLA or the UC system. At this point, she said, **state support makes up only about 18 percent of the business school's $96 million annual budget,** and she said that percentage overstates the contribution because much of the state support is tuition revenue that must go to the state first now before it is returned to the school. In a new model, that revenue would never leave the business school. In the end, the business school would truly lose less than $6 million a year, Olian said.

In the 1970s, she said, about 70 percent of the business school's budget came from the state.

. . . It is extremely unusual for academic units of state universities to give up state funds, and

Olian said that "this is not the solution for the University of California" in that most academic units could not come up with the sources of revenue that a business school can. She noted that **many of the university's programs -- such as an executive M.B.A. program and a program in Singapore -- are already self-supporting** and may in some ways be subsidizing the M.B.A. program. "This is really a very marginal change," she said, and will not affect the way the UCLA faculty governance system will oversee academic programs, the tenure process and other procedures.

. . . In discussing the plan, **Olian repeatedly talked about "self-sufficiency" and never used the work "privatization**" (except in answering this reporter's questions about why she does not view the word as an appropriate description for the shift.)

Katherine S. Mangan, "Berkeley Law Dean Calls for Partial Privatization of His School, " ***The Chronicle of Higher Education***, January 14, 2005
http://chronicle.com/article/Berkeley-Law-Dean-Calls-for/30804/

Louisiana

(Source: http://www.nola.com/politics/index.ssf/2010/12/lsu_would_operate_under_differ.html)
Louisiana State University's main campus would be granted new exemptions from state procurement and personnel regulations and have increased freedom to set tuition and fees under proposals being crafted by a pair of prominent Baton Rouge businessmen with support from Gov. Bobby Jindal. The Louisiana Flagship Coalition, which was incorporated this week, plans to hire a team of lobbyists to push a multifaceted agenda designed to give LSU's main campus a different set of rules than other public colleges and universities in the state. The **long-term goal is to lift LSU academically while making the school less reliant on state support**.

. . . Although the details of the group's legislative package are still being worked out, Reilly said it involves **giving LSU freedom to run its own affairs by waiving civil service regulations, purchasing rules and other regulations.** He said the new autonomy will save $50 million over five years at LSU's campus.

. . . Reilly said he expects the plan to win support from other colleges, because **making LSU less reliant on state financing** would theoretically mean more money for other campuses. "We've got successful people from all over the state who want LSU to be successful," Reilly said. "We are not going to give money to candidates, but we are going to hire lobbyists, draft legislation and push it hard."

Oregon

(Source: http://newpartnership.uoregon.edu/)
On March 1st, 2011, the Oregon Senate Education and Workforce Development Committee held a hearing on The New Partnership proposal, SB 559 and SJR 20. President Richard Lariviere testified to the committee that "We achieve three things under the New Partnership:

1. We free our universities from a centralized state bureaucracy and provide greater autonomy for our management and operations;
2. We strengthen public accountability and involvement by establishing a dedicated governing board for the University of Oregon and other universities that want them; and
3. We prevent further budget cuts and the tuition increases they create by establishing public-private endowment authority for any university wishing to pursue it."

(Source: http://newpartnership.uoregon.edu/files/2010/08/White-Papers-Exec-Summary-aug-2010.pdf)

A CALL TO ACTION
The time has come to reimagine higher education in Oregon.

Public higher education has been at the forefront of our state's ambitions since its founding. Land for a University of Oregon campus was promised when Oregon was admitted into the union in 1859. But the dream of a college education is slipping away for many Oregonians. For the first time in state history, today's young adults are less educated than their parents. Our current structures for governing and financing the state's public universities must be reevaluated as we seek to preserve the mission of public higher education—that includes sustaining the UO as a public institution.

A generation ago, the state contributed twice as much revenue per student at the UO than those students paid in tuition. Today, **state funding accounts for less than 9 percent of the UO budget** and students pay more than three times as much for their education than the state provides. Of thirty public institutions in the Association of American Universities, the UO ranks dead last in the amount of state support received per student. The same finding is revealed in any comparison of UO to any set of peers.

Oregon's competitive position in a global, knowledge-based economy is at extreme risk. Parents of those in the state's twenty-five to thirty-four age group have a higher percentage of college degree attainment than their children, while the reverse is true nationwide and in most countries that are our economic peers.

We must replace a system that is no longer serving Oregon's needs with one that will renew the state's abilities to achieve its educational goals and reestablish its tradition of policy innovation. As we seek to create a new Oregon model that includes tools to stabilize university funding, we should pay close attention to what is working elsewhere. The University of Washington and the University of Virginia each operate under systems in which state-level coordinating boards ensure individual universities' accountability while allowing them to manage their own business affairs.

Governance
Under this model, the UO proposes establishing a public governing board—a majority of its members appointed by the governor—that will focus on the UO's mission and public responsibility. The Oregon University System will be involved with the UO as a coordinating board responsible for setting and monitoring educational outcomes such as degree attainment, and will have authority to coordinate with other universities to prevent duplication of programs.

Funding
The UO was allocated $64.9 million in FY2009–10 from the state and the federal American Recovery and Reinvestment Act. The FY2010–11 allocation is $61.6 million, **less than 9 percent of the UO's budget**. It is not realistic to expect an increase, with an overall state budget shortfall of $2.5 billion predicted for the next biennium. But by securing an assurance that the Oregon Legislature will maintain its present level of support in the form of bond payments—a creative reinvestment in the university's future—the UO can bring goals of the institution and state back within reach.

A state funding commitment of $65 million per year over thirty years, for example, will be used to make annual payments on a new public endowment. The UO will match the funds with money raised from private donors, and manage the combined public-private endowment. That pool of money will create a stable, perpetual base to fund the UO's education mission and bring greater stability to resident undergraduate tuition costs. In its first year, the public endowment will generate sufficient operating revenue for the university and will continue to grow. The bond creates even greater incentives for philanthropists to give to the university. Had this endowment been established in 1991, the UO would now receive $154.7 million from the endowment instead of about $60 million from the state.

Accountability
While this plan envisions a public governing board for the UO, a state-level coordinating body such as the Oregon University System will be charged with setting clear standards of success for the institution. It will hold the UO accountable for meeting those standards—including accessibility, affordability, diversity, economic development, and service impact.

The UO is in position right now to reassert its public mission. By reorganizing public assets and resolving to bolster private support, the university can build a stable and predictable funding structure. Statewide goals will be ensured by performance-based financial incentives. And public higher education will no longer be driven by the state's economic circumstances.

Pennsylvania

Dont Cry for PSU
Source: http://www.rockthecapital.com/03/09/scotts-piece-2/

*By Scott **Paterno***
The loud wailing you heard coming from the old Mitchell Mansion, one of the nicest pieces of property in State College, was the sound of Penn State President Graham Spanier losing his ever loving mind over the proposed state budget. In case you missed it or did not hear the scream, the Governor's proposed budget takes, well, a battle ax to the higher education budget – a fifty percent cut across the board for the 14 state system schools, Pitt, Temple and the aforementioned Penn State. In real dollars, it adds up to $650 million in cuts.

. . . I am, frankly, going to hear it from friends and family for what I am about to say: ***Not only should the state cut $152 million from Penn State's general appropriation it should cut all $304 million. Every dime.***

. . . Viewed objectively a cut of $152 million is only a 3.8 percent cut in Penn State's overall budget. Penn State annually operates on a budget in excess of $4 Billion (athletics is self funded, by the way). By comparison, the state system's 14 schools have an aggregate budget of just over $2 billion.

. . . The fact is the only fair way to approach this is to view the cuts in terms of the institutions total budgets. If we cut Penn State by $304M and the State System by only $80M, the result is much more equitable: Penn State would see a 7.6 percent cut in their total budget vs. a 4% cut in the State System.

South Carolina

Peter Schmidt, "Accept More State Control or Go Private," ***The Chronicle of Higher Education***, December 19, **2003**
http://chronicle.com/article/Accept-More-State-Control-or/8141/

Virginia

(Source: http://www.virginia.edu/restructuring/)
The Restructuring Act grants Virginia's public institutions of higher education including the University of Virginia greater financial and administrative autonomy allowing them to more effectively and efficiently manage day-to-day operations. In exchange for increased autonomy, each institution must commit to meet specific statewide goals. The Act provides for three levels of autonomy; the University, along with Virginia Tech, the College of William & Mary, and Virginia Commonwealth University, is currently operating at the highest degree of autonomy.

Wisconsin

Biddy Martin (Chancellor of the University of Wisconsin at Madison), "A New Command for

Wisconsin's Flagship," ***The Chronicle of Higher Education***, March 7, 2011
http://chronicle.com/article/Point-A-New-Command-for/126636/

Doug Lederman, "Flexibility--But For (and From Whom)?" ***Inside Higher Ed***, February 28, 2011
http://www.insidehighered.com/news/2011/02/28/wisconsin_debates_whether_madison_should_stay_within_university_system