Higher education: Balancing quality and cost

States can follow these tips to maintaining quality in higher education in tough economic times.

BY ROBERT KUSTRA

Higher education learning comes at a high price.

Never before in U.S. history have so many governors identified higher education as their most important budget priority. That's what makes recently proposed budget cutbacks necessitated by the recession so much more unfortunate for a sector that has been subjected to the fluctuations of the economy over the years. Perhaps the strongest voice comes from the incoming president of The Council of State Governments, Gov. Parris Glendening of Maryland, who argues that "…we simply can no longer make decisions on the basis of an outmoded notion that we can afford to cut back on postsecondary education when times are hard, believing that higher education funding is nonessential and discretionary."

A recent report by the American Association of State Colleges and Universities confirms Glendening's concerns by acknowledging significant increases for higher education in recent years, while pointing out that higher education spending as a percentage of total state (general fund) spending has fallen considerably from 1988 to 2000.

In this year's efforts to adjust state budgets to the new realities of a recession, every effort must be made to protect as many of these recent gains as possible. The current political climate will not tolerate many tax increases and, with Medicaid consuming a larger percentage of state budgets, it will not be easy shifting funds from other areas.

Of course, many universities and colleges have prepared for the cutbacks, but each institution will have its breaking point when it can no longer guarantee the quality that it has promised to its students. In those cases, university foundations may be able to increase their support, but endowment income has plummeted with a falling stock market.

Tuition boosts possible

Although some shudder at the thought of tuition increases, they remain a viable alternative to losing the ground higher education has gained. In addition to across-the-board increases, some institutions are employing price differentials between lower- and upper-division course-work that, in addition to raising more revenue, more accurately reflects the actual cost of a college education.

When calculated over a lifetime of earnings, the price of a college education at some public universities is more than affordable: it's a bargain. Unfortunately, that bargain is not without its costs. The burden falls on faculty and their families who over the last quarter-century have found their purchasing power falling behind the work force in general.

Inadequate faculty salaries threaten the quality of education

In some cases faculty may leave for greener pastures. Our large public flagship universities are particularly vulnerable to raids of their faculty by private-sector counterparts. Unless pricing structures in the public sector account for the cost of the talent that delivers high-quality education, our most prestigious public-research universities will suffer a decline in quality and reputation as faculty leave for the private sector. Apparently, the University of Illinois took this challenge very seriously with its recent proposal for an emergency tuition increase of 10 percent to deal with a shrinking budget.

Control vs. freedom

In some cases, who has the responsibility for setting tuition may be the most important factor in determining whether universities will have the funding for a continuation of mission and quality in these difficult times. Although the legislature sets tuition in a few states, it seems a particularly perilous approach. With votes on tuition taking on some of the trappings of a tax vote, the decision to raise tuition must include a calculus that weighs political and electoral considerations that do not belong in such a discussion.

Some states rely on a coordinating board to determine tuition. Governing boards acting on the university president's recommendation seem to be in the best position to balance quality and affordability as is the practice in private colleges and universities.

Finally, it would be prudent to review the flexibility institutions have to govern their own affairs and adjust to the increasingly competitive higher-education marketplace. Over the years, states have created elaborate mechanisms to hold universities accountable for the public funds they use. As the state appropriation declines as a percentage of total university revenue, it seems reasonable to suggest a loosening of the regulatory strings. With proprietary institutions moving in with sophisticated marketing strategies and student-friendly programming, public universities must be free to adapt to the changing circumstances of the marketplace without having to overcome bureaucratic hurdles constructed for a slower and less competitive race.

As states give public universities more freedom to respond to the changing demands for education and training, there will still be a need for a vigilant approach to accountability. For example, state legislatures can apply the same scrutiny to reviewing and approving governing-board members as they do to members of the state Supreme Court! The future of public higher education depends on high-quality trustees with the appropriate credentials, first-class orientation programs and mandatory continuing-education programs to serve as the first line of defense in holding higher education accountable for use of public funds.

It is most unfortunate, but understandable given the size of the higher-education budget, that public universities cannot be spared the budget ax. But in difficult times, we can ask tough questions and challenge old and tired assumptions that may lead states to new strategies for delivering on the commitment states make to higher education.

Dr. Robert Kustra, a senior fellow at The Council of State Governments, is a former Illinois lieutenant governor and chair of the Illinois Board of Higher Education. He will become the new president of The Midwestern Higher Education Commission on July 1.

States provide incentives to save for college

At the same time that states are struggling to fund postsecondary education, parents are struggling to pay for their children's college education. In the late 1980s, when state funding decreased and tuition rates increased, state leaders began to develop innovative state college-savings programs.

As of February, 47 states have a program available to encourage residents to save money to pay for college costs. By the end of 2002, all 50 states and the District of Columbia will have operational programs.

On Jan. 1, 2002, federal tax exemption on the earnings of the programs took effect. This federal tax break, in addition to significant state tax incentives offered by many states, has encouraged more than 2 million residents nationwide to open a state college-savings plan.

State college-savings programs take two forms — prepaid-tuition programs and savings-plan trusts. Prepaid-tuition programs allow parents to purchase tuition at today's rates and use the plan when the beneficiary matriculates. The program will pay for future college tuition at any of the state's eligible colleges or universities (or an equal payment to private and out-of-state institutions). Savings-plan trusts allow participants to save money in a special college-savings account on behalf of a designated beneficiary. When the child enters college the accounts can be used to pay for qualified higher-education expenses.

For more information, call toll-free (877) CSPN-4-YOU, or go to the College Savings Plans Network Web site www.collegesavings.org. CSPN is an affiliate of the National Association of State Treasurers.

— Chris Hunter