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Financing Higher Education:
Reshaping National Priorities

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I'm delighted to join you at the Seventeenth Annual Meeting of the National Association of Independent Colleges and Universities. This Association, under the ~~enormously effective~~ leadership of Dick Rosser, has emerged as one of the most focused and ~~most~~ effective voices on behalf of higher learning. I salute your leadership and vision.

This afternoon I've been asked to review ~~the Carnegie~~ that report and reflect on how the prophecies and proposals ~~of the decades~~ hold up today. ~~It was, in fact,~~ ~~just~~ ~~20~~ Twenty years ago ~~that~~ the Carnegie Commission released a report on the financing of higher education.

I.

~~And~~ looking back, it's clear that the Commission report was, in many ways, prophetic. Consider, for example, the vision of equality of opportunity that was so vigorously espoused. The Commission, in a~~n~~ historic move, called for full access for all students wishing to enroll in higher education, and ~~S~~since 1973 higher education enrollment in this country has indeed continued to expand. Today, nearly 60 percent of all high school graduates are now going on to some form of postsecondary education.

The 1973 report proposed a much greater federal role in the support of schools. In the intervening years, the basic grant program has, as the Commission recommended, become a centerpiece of grant aid, with a current appropriation of more than $6 billion that touches almost every campus. The Commission also recommended that state support for both public *and* private higher education should significantly increase to close the gap between the two sectors. ~~Third~~, during the past twenty years some states ~~here~~ have, in fact, directed public funds to private institutions, acknowledging the essential public service these colleges perform.

But we've experienced surprises and disappointments, too. ~~For one thing~~ One, the Carnegie Commission did not anticipate—and perhaps could not—have anticipated the dramatic increases in tuition at both public and private institutions that have—often ~~more than~~ offsetting the gains in federal support. In 1973 the Commission argued that the first two years of higher education should be free or low cost, especially at community colleges and other public institutions. and At the upper levels that a "graduated" tuition schedule ~~was proposed~~ be implemented. To pay for college costs, the Carnegie Commission acknowledged that students and their families must ~~pay~~ play an important role—covering perhaps one-third of instructional costs—~~and~~ It recommended specifically that tuition be increased "at a rate no greater than the annual increase in per capita income or at a lower rate if possible." In fact, from 1980 to 1990 tuition costs at public institutions rose 109 percent and at private institutions, 146 percent. During this same period, the cost of health care increased 37 percent; food costs increased 53 percent; and median family income increased 73 percent.

Speaking of unpredictable circumstances, the Carnegie Commission could not have foreseen just how much of the federal grant monies would go to *proprietary* institutions. In 1980, these schools received about 12 percent of all basic grant monies, totaling about $275 million. In 1990, they received 23 percent for a total of $1.1 billion, making fewer dollars available for four-year institutions.

It's also clear that in 1973 the Carnegie Commission could not have anticipated the financial crisis now confronted by most states—a near depression that has devastated higher education. Last year Pennsylvania eliminated all direct aid to private institutions. In New York, "The Bundy Plan"—one of the first and most generous private college plans—was cut 80 percent over five years. And just last weekend the president of a distinguished private university in New York told me that he expected the "Bundy money" to completely disappear within two years.

For the public sector, the downturn in state support has, in some instances, been close to catastrophic. In Ohio last year, public institutions had an 11 percent cut. The University of Maryland lost 20 percent of its state support. And New York and California are scrambling to keep on top of budget cuts that seem to have no end. To put it simply, the optimistic expectation of the Carnegie Commission that the cost of higher education would shift increasingly from students to the state is, at least in the current climate, simply not holding up.

II.

Given the sobering circumstances we confront today, what predictions can be made? What strategies should be pursued? Let me offer a few of my own tentative conclusions.

First, I believe that the sharp annual increases in tuition that we've experienced in the 1980s must begin to flatten out. This is easy to say and hard to do. But frankly, I'm deeply worried about the shift in attitude that seems to be occurring among parents and the politicians who really do believe, fairly or unfairly, that college is becoming increasingly inaccessible and that students are paying more and getting less. One week ago, *The Washington Post* focused on escalating college costs—judged to be ever more excessive and editorially endorsed the idea of an externally imposed "cost control, since colleges and universities are apparently unable to get their budgets under control by themselves." Let me quote the *Post* directly: "Perhaps it's time to begin applying public sanctions to the high flyers. How about a rule that reduces eligibility for federal student aid, at least among the most expensive colleges, when their tuition rises more than the inflation rate."

A 1991 Gallup poll revealed that 87 percent of Americans believe that college costs are rising at a rate that will put higher education "out of reach" for most people in the years ~~days~~ ahead, creating what's been called a "crisis of affordability." This widespread feeling that college is becoming unaffordable is most prevalent perhaps among the least advantaged who see a widened gap between the privileged and the poor.

Further, the current pattern of higher tuition is beginning to hurt colleges and universities too, since increases in the "sticker price" often are necessarily offset by increases in student aid. It's worth noting that the institutional student aid program now costs a total of $7 billion—a 300 percent increase since 1980. And just last week a college president said that no less than 80 percent of his students get some form of institutional aid.

Given these results, the time may have come for colleges and universities to tie tuition increases to some index—to the annual increase in per capita income as the Carnegie Commission recommended twenty years ago or to the inflation rate—or to some benchmark to justify the charges to both parents and the public. Again, this is a risky step that not all institutions can take—and surely exceptions can and must be made. Still, I genuinely worry about the changing public mood and the negative impact increases are having on the campus. And to speak openly of the crisis and make ~~of~~ a determined commitment to tuition constraints would, I believe, help to rebuild confidence and perhaps give colleges even more credibility as they make their case for more public support for higher education.

But to limit—or cap—tuition means that the federal government has a critical role to play. Just this morning, the National Commission on Responsibilities for Financing Postsecondary Education released its final report which focused, not on rising student fees, but on the need for more federal support. This bold new report calls for a complete overhaul of federal student aid programs. Under the proposed plan, all students would be guaranteed $14,000 which would be delivered in a variety of ways, depending on family need. The report also calls for a new savings incentive program—a loan bank. ~~And~~ it recommends that Pell Grants be fully funded, becoming an entitlement program—~~or~~ an "unbreakable promise," stet ~~to use the elegant phraseology of the report~~. Altogether the new plan would cost an additional $7 billion.

I applaud the new Commission's call for full funding of Pell Grants. ~~which~~ It reaffirms the Carnegie Commission recommendation of twenty years ago. I am also now convinced that a new student loan program should be vigorously pursued—which is, for me, a latter-day conversion. For years, I've argued for grants, not loans. I've been concerned that a loan program may, in fact, shift higher education costs increasingly to the student. And having administered the existing federal loan program as U.S. Commissioner of Education, I know just how flawed the current system is. However, I ~~am~~ now ~~convinced~~ believe that a wholly restructured loan program does have a place in the overall support package.

Last year, Dick Rosser, in testimony before the National Commission, said that student loans will not work for all students so should not be the only way for students to borrow. But they are, he said, an alternative that should be available for students who may want them. I agree with that assessment, and I'm convinced that the time has come for *all* of higher education to work with Congress to design a bold, new, user-friendly loan program.

Two decades ago the Carnegie Commission urged the federal government to charter a national student loan bank—a nonprofit, self-sustaining fund that would permit all students to borrow money for college, based on income, and to repay the loan over as long as ~~40~~ forty years. I'd like to see some such program enacted. And I support President Clinton's proposal that a service program be enacted to make it possible for student aid to be forgiven.

III.

Thus far, I've focused almost exclusively on how to pay for college costs, holding in place all of the traditional assumptions about teaching and learning. In 1973, the Carnegie report said nothing about improving the quality of higher education. The value of the product was just assumed. Today, that's no longer true. Taking the long view, I'm convinced that to meet adequately the costs of higher education we simply must begin to ask hard questions about how colleges carry on their work. I'd like to focus briefly on three issues to illustrate the point.

First, in the decade of the nineties, a higher priority must be given to undergraduate education—on teaching and learning—which has been, I recognize, a priority of many of the colleges assembled in this room. Still, the harsh truth is that on many campuses the commitment to teaching undergraduates has, in recent years, diminished. And often it is far better for a professor to deliver a paper to colleagues at a conference in Chicago than to meet with undergraduates back home. This failure to acknowledge the centrality of teaching not only frustrates students but also makes it easy for critics to complain that students are indeed paying more for their education and getting less. It's no longer possible to continue to talk about financing higher education without discussing quality as well.

In a recent Carnegie Foundation report entitled *Scholarship Reconsidered*, we say it's time to move beyond the tired old "teaching versus research" debate and begin to ask the much more compelling question, what does it mean to be a scholar? In response to this intriguing question, we say that the work of the professoriate includes not only the scholarship of *discovering* knowledge, as in research; it also includes the scholarship of *integrating* knowledge; the scholarship of *applying* knowledge; and the scholarship of *teaching*. We conclude that all of these essential functions should be recognized and rewarded. I'm suggesting that teaching is central to our mission and I'm convinced that as we give high priority to a quality undergraduate experience, the inevitable increases in tuition costs can be better justified as well.

Beyond a renewed emphasis on teaching, colleges and universities also must think creatively about the length of the undergraduate experience—and the style of learning, too. Twenty years ago, in my inaugural address as chancellor of the State University of New York, I proposed a more flexible baccalaureate degree as an alternative for some students—a practice that is, in fact, followed in most countries. For example, the three-year degree experiment was introduced successfully on several SUNY campuses, demonstrating that the length of the baccalaureate degree might be shortened for some students without jeopardizing the quality of the educational experience, and shifting the focus of the undergraduate degree from "coverage" to competence in lifelong learning. More than ~~20~~ twenty years ago, the State University of New York launched Empire State College, a non-campus institution for students studying largely on their own, guided by a mentor. Empire State College convinced me that through more self-directed study, college can—at least for some students—be not only more efficient, but also more effective, pedagogically. Such strategies, of course, can be implemented only if we shift the focus of education from credits and units to outcomes.

And speaking of innovations, I'm convinced that in the twenty-first century new technologies increasingly will both improve and make more effective our methods of instruction. Through the new CD interactive disks, students can travel to outer space, explore the bottom of the sea; through new technology they can visit the Louvre, and examine the interior of the human cell. No innovation should be pursued simply to save money. And we should not be dazzled by gimmicks. Still, I am convinced that formal education can be made far more engaging and successful through more flexible time arrangements, through more independent study, and through technology that extends the outreach of creative teachers, who must remain central to it all.

IV.

This brings me to one final observation. While giving priority to *teaching* and to learning, higher education, in the coming decade, also must reaffirm the centrality of *service*—since increased public support for higher education requires a confidence among politicians and the public that the investment is paying off.

The Carnegie Commission report of 1973 took the position that higher education performed a *public* good, reflecting a great tradition which began as early as 1824 when Rensselaer Polytechnic Institution was founded in Troy, New York, to help build our nation. The Land Grant Act of 186~~3~~2 tied higher education to that nation's agricultural and technological revolution. And when social critic Lincoln Steffens visited Madison in 1909, he said that "in Wisconsin the university is as close to the intelligent farmer as his pig-pen ~~and~~ or his tool-house."

The tradition continued in the twentieth century, when David Starr Jordan, president of Stanford, said that the primary role of American higher education is "practicality and utility." Charles Eliot at Harvard declared that higher learning's mission was "serviceability." Woodrow Wilson gained fame by pronouncing that Princeton was "in the nation's service." And following World War II, engineer and MIT Dean Vannevar Bush announced grandly that universities that helped win the war would also win the peace.

I'm suggesting that for most of our history, Americans truly did believe that higher education contributed vitally to the building of the nation, and service was defined by academic leaders in both the public and private sectors as a central mission. But as I look at today's academic landscape, I'm impressed that this unrestrained confidence in the social efficacy of the nation's colleges and universities has dramatically diminished. Today, higher education is viewed more as a *private* benefit than a *public* good. The university, it is argued, is unresponsive to vexing social and economic and civic problems. According to our critics, the campus is a place where faculty get tenured and students get credentialed ~~and~~ in such a climate, public funding for higher education can be cut and student fees can be disturbingly increased, because ~~since~~ it's the students, not the public, who benefit from the investment.

This harsh judgment about the unresponsiveness of higher education is a caricature at best. Many professors and programs *are* in the nation's service. Still, I'm increasingly convinced that the financing problems cannot be considered out of context. As I view the national higher education landscape I see that we have not just a money problem but a confidence problem, the two inextricably interlocked. What's needed is a change in climate, one in which higher education is viewed not as a cost, but as an *investment*. But for this to be accomplished, higher education must not only be more committed to the undergraduate experience, and more creative in designing new models for teaching and learning but also ~~and~~ more vigorously engaged in service—working with industry, health clinics, and with the schools.

~~Here then is my conclusion.~~ The Carnegie Commission report of twenty years ago was an optimistic document, ~~reflected~~ offering a plan for ~~the~~ financing ~~of~~ higher education that was rooted more in stability than change. Much of the early vision has been fulfilled. But we now face sobering new realities not anticipated twenty years ago. Today, bold new assumptions are required, and I am convinced that now more than ever this nation urgently needs a superb network of *independent* colleges and universities—institutions that have their own unique programs and goals; institutions that are committed to the life of the student and to the deepest yearnings of the human spirit; institutions that have the courage to celebrate tradition and also be audaciously creative. That's what the membership of this association is all about.

John Gardner wrote that a nation is never finished. You can't build it and leave it standing as the pharaohs did the pyramids. It has to be rebuilt by and for each new generation.

This is true for colleges and universities, as well. Despite all current tensions, the American system of higher education remains the model for the world, both in excellence as well as equity. The challenge for our generation is to expand access and make colleges affordable for all students while also establishing campus climates of creative change.