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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 outstanding leadership of Dick Rosser, has emerged as one of the most focused and effective voices on behalf of higher learning. I salute your leadership and vision.

I.

Twenty years ago, the Carnegie Commission on Higher Education released a report ^{on} the financing of higher learning in this country. This afternoon I've been asked to review the major proposals of that report and reflect on their significance today.

The Carnegie Commission recommendations were, in many ways, prophetic. Consider, for example, the vision of equality of opportunity that was so vigorously espoused. Twenty years ago the ~~Carnegie~~ Commission insisted that we should provide in this country full access for all students wishing to enroll. Since 1973, enrollment in higher education has remarkably expanded and, today, nearly 60 percent of all high school graduates go on to some form of postsecondary education.

The Carnegie Commission also called for a major federal role in the support of higher education. In the intervening years, the basic grant program has become a centerpiece ^{in the financing} of support for the nation's colleges and universities, with a current appropriation of more than \$6 billion that touches almost every campus. ³ The Commission also recommended that state support for both public and private higher

education significantly increase—to close the gap between the two sectors. During the past twenty years, some states have, in fact, directed public funds to private ^{high ed} ~~institutions~~, acknowledging the essential public service provided by these institutions. In summary, I'm ~~convinced that~~ the bold vision of the Carnegie Commission moved this country toward expanded opportunity and helped form the historic partnership between undergraduates and higher education. ^{But the high ed expectations}

But not all hopes ~~of the Carnegie Commission~~ ^{Carnegie} have been fulfilled. Consider, for example, college costs. 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 that at the upper levels, a "graduated" tuition schedule should be implemented. ^{the Commission proposed specific} And it was recommended 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 the intervening years this recommendation has not been followed. The financial squeeze on colleges has simply been too great. In fact, from 1980 to 1990, tuition costs at public institutions rose 109 percent, and at private institutions, 146 percent—well beyond the guidelines proposed twenty years ago.

While recently rereading the report, I also was struck that the Carnegie Commission—reflecting the spirit of the times—^{assumed} ~~has not~~ continued economic growth. There was in the report ~~simply no hint of the financial crisis now confronted by most states~~ ^{such states might face a} ~~a crisis that has had~~ ^{would have} a devastating impact on higher education. Consider these examples: 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 ¹³ 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, not holding up.

~~And speaking of unpredictable circumstances,~~ the Carnegie Commission could not have foreseen just how much of the federal student 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.

II.

Given these sobering circumstances, what predictions can be made? What strategies regarding the financing of higher education should be pursued as we look ahead to the next twenty years?

First, perhaps the time has come to revisit the Carnegie Commission recommendations ~~and tie tuition increases to some index—to the annual increase in~~ *regarding student fees. Is it reasonable to suggest more again that* per capita income, as the Commission recommended twenty years ago, or to the *be tied* inflation rate—or to some other benchmark to justify the charges to both parents and the public. There is no single formula, of course, that would apply to all institutions. Still, I worry about the changing public mood and the negative impact *that increases* *in student fees* are having on the campus. ~~It seems obvious to say and hard to do.~~

One week ago, a *Washington Post* editorial, focusing on escalating college costs, *created in* ~~endorsed the idea of externally imposed control, since "colleges and universities are~~ *not* *apparently unable to get their budgets under control by themselves.* Perhaps it's time," the editorial said, "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."

~~But~~ ^{Del} it's not just journalists who are concerned. ^{exposed} 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 ahead—creating what's been called a "crisis of affordability." This widespread feeling that college is becoming unaffordable is ~~most~~ ^{substantive} prevalent ~~perhaps~~ among the least advantaged, who see a widened gap between the privileged and the poor.

~~Further~~, the upward spiral of tuition is beginning to hurt colleges and universities, ~~too~~, since increases in the "sticker price" often are necessarily offset by increases in student financial aid. ^{Consider that} It's worth noting that the institutional assistance 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.

^{I require ~~that~~ a slowdown in student fees is easy to recommend & difficult to accomplish.}
~~But if tuition increases were to be slowed, the federal support for higher education must increase. Just this morning the National Commission on~~
^{The commitment, which was made many years ago}
^{was reinforced in a}
 Responsibilities for Financing Postsecondary Education released its final report, which ^{I am convinced that such a move would mean} focused ~~not on rising student fees but on the need for more federal support.~~ This bold new report ^{reads that the ~~existing~~ rising cost} 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—an "unbreakable promise," to use the elegant phraseology of the report. I applaud the Commission's call for full funding of the federal grant program which would reaffirm the Carnegie Commission recommendation.

I am also 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

loan program as U.S. Commissioner of Education, I know just how flawed the current system is. However, I now 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. 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 forty years. I'd like to see some such program enacted. And I support President Clinton's proposal that would make it possible for student aid to be forgiven through service.

In 1973, let me more deeply ^{III.} ~~proceed~~ rather & reflect on several issues that relate to quality. The Carnegie Commission report said nothing about improving the quality of higher education. The value of the product was just assumed. Today, ~~that's no longer true~~ ^{questions are being raised about the effectiveness of the college experience}. And taking the long view, I'm convinced that to adequately meet the costs of higher education we simply must begin to ask hard questions about how colleges carry on their work. ^{In response, three strategies for renewal should be considered:}

First, in the decade of the nineties, a higher priority must be given to undergraduate education—on ~~teaching and learning~~. The harsh truth is that ~~on many campuses~~ ^{at many campuses} the commitment to teaching undergraduates has, in recent years, diminished. 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

the point is not
and getting less. And it's no longer possible to continue to talk about financing higher education without discussing quality as well. *and the priorities of the professoriate, 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, 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.~~ *to be clear*
I'm suggesting that teaching is central to our mission and that colleges give high priority to a quality undergraduate experience, the inevitable increases in tuition costs can be better justified as well.

leading to the next entry, I also am concerned that
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 ^{as} an alternative for some students. *- this idea* The three-year degree experiment, which was, *in fact,* introduced successfully on several SUNY campuses, demonstrating that the length of the baccalaureate degree might be shortened ~~for some students~~ without jeopardizing quality. *or* More than twenty years ago, the State University of New York launched Empire State College, a noncampus institution for students studying largely on their own, guided by a mentor. *who read* 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 to outcomes.

that, In the twenty-first century new technologies also ~~will be~~ *will become a* more efficient and *great tool in evaluating instruction.* ~~effective our methods of instruction.~~ *maximum new innovations -* Through the new CD interactive disks, students can travel to outer space, explore the bottom of the sea. ~~Through new technology they~~ *in person* ~~can~~ visit the Louvre, and examine the interior of the human cell. No innovation

the eagle -

I'm convinced

should be pursued simply to save money. Still, 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.

This brings me to yet IV. another priority that must be highly pursued.

Look at the year 2010. I'm convinced that for nations

~~While giving priority to teaching and to learning, higher education, in the coming decade, also must reaffirm the centrality of service—since increased public~~
calculus & minister

support for higher education requires confidence among politicians and the public that their public 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 1862 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 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 President Vannevar Bush announced that universities that helped win the war would also win the peace.

I'm saying 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, economic, and civic problems. According to our critics, the campus is a place where faculty get tenured and students get credentialed, but the enterprise is isolated and socially ^{unresponsive} to pressing civic and social programs. In such a climate, public funding for higher education can be cut and student fees can be increased, because it's the students, not the public, who benefit from the investment.

This harsh judgment ^{is a} ~~about the unresponsiveness of higher learning~~ is a caricature at best. Many professors and programs *are* in the nation's service. Still, as I view the national higher education landscape, it seems clear that we have not just a money problem but a confidence problem—the two are 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*. For this to be accomplished, the nation's colleges and universities must not only be more committed to the undergraduate experience, and more creative in designing new models for teaching and learning, but also more vigorously engaged in service—working with industry, health clinics, and with the schools.

The Carnegie Commission report of twenty years ago was an optimistic document. It offers a plan for financing higher education that was rooted in public confidence and the prospectus of expansion. Much of this early vision has been fulfilled and the legacy of the Commission ^{Carnegie} ~~lives on~~ lives on in the federal partnership—the conviction that higher learning should provide a place for all.

In summary, the Commission was committed to access the federal support and that legacy lingers on. The Commission anticipated low cost and yet, student fees are dramatically increasing. The Commission just assumed excellence in higher education and yet that quality is increasingly being called into question. We need to reaffirm undergraduate education, introduce more flexible time arrangement, and use

technology more creatively. Finally, the Commission defined higher learning as a public good and this too must be reaffirmed to rebuild confidence in the academy today.

But we now face sobering new realities. Today, bold new assumptions are required. 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.

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. ^{As} That's what the ^{work} ~~membership~~ of this association is all about.

Just bring me back to the original
Association of Independent Colleges &
Universities.

NAICU-T6.DOC, (SPC,ELB/lb), June 3, 1993

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