



**Public Policy Forum**  
**Fiscal Challenges Facing**  
**Public Colleges**  
**Presented by**  
**Steven G. Poskanzer**

***February 1, 2006***

*Thomas L. Gais:*

Thank you very much. Good morning and welcome to the Rockefeller Institute of Government. We are also very happy to welcome our WAMC listeners, where this is being recorded today.

The topic today for our Public Policy Forum is: Fiscal Challenges Facing Public Colleges and Universities. In some ways, our American college and university system is absolutely superb. There was a recent survey done by a Chinese institute which found that 17 of 20 world-class universities are, in fact, American universities. So, we do seem to have quite a bit of academic excellence in the United States. And in some ways we also seem to have quite excellent access to our university system. The United States is about the highest in terms of the portion of college-aged students, who are getting degrees after graduation from high school. But there are concerns. There are concerns that we can do better, both in terms of excellence, as well as access.

There are concerns that we may not be able to maintain the same level of excellence we've been able to achieve so far. We've seen declining state funding for

many years, the mainstay of state universities, and that's been a problem that's been exacerbated after the last fiscal crisis in the states. We see uncertain federal funding with long-term deficits projected. And finally, we see unrelenting tuition increases.

So, to understand how these and other fiscal issues are going to impact on our university system, and especially undergraduate teaching, we asked the president of one of our public institutions to focus on undergraduate education and to address three questions: (1) what are the current fiscal challenges facing public colleges and universities?; (2) how are they likely to change in the next decade?; and (3) what is to be done?

Our speaker is superbly qualified to answer these questions. Steve Poskanzer has served since 2001 as the seventh president of the college at New Paltz, a highly regarded, public undergraduate institution in the 64-campus State University of New York. Steve is a lawyer with a JD degree from Harvard and his extensive résumé includes high-level administrative positions at the University of Pennsylvania, Princeton University, University of Chicago, and the Provost's Office at the State University of New York's system administration. His scholarly work is focused on college and university law, including his 2001 book, *Higher Education Law: The Faculty*, published by Johns Hopkins University Press.

*Steven G. Poskanzer:*

Thank you, Tom. It's a pleasure to be here today. I want to extend my thanks to the Rockefeller Institute for giving me the chance to speak with you today.

As Tom noted, my field is higher education law. So, predictably, much of what you are going to hear from me today involves structures, rules, and processes. And in keeping with the finest legal tradition, I probably should begin by making a couple of disclaimers.

My observations are not particularly focused on New York State or on SUNY, and they are most certainly not about SUNY New Paltz. To the contrary, they are more general musings. To the extent that it is possible, I am trying to wear my scholar/commentator hat today, as opposed to my presidential mortarboard.

So, the question before us is: What are some of the fiscal and market challenges facing public colleges and universities? And there is an obvious answer: They clearly need larger and more dependable streams of state funding. They need more aggressive fund raising from alumnae and friends. We need to reconsider how current dollars are spent and to recast, or even to jettison programs and activities that are peripheral to their missions, or that just aren't being done very well.

Clearly, I would say they also need thoughtful decisions about pricing. The question about what proportion of the cost of one's education it is appropriate to expect a student to pay lies before us all. And I would also say that public colleges and universities need to seek new revenue using the intellectual capital and the facilities that they have. That's a quick, maybe even a glib answer. And while it's always illuminating to follow the money, I would actually posit that the root causes of many of the challenges facing public higher education right now are not, in fact, financial.

For decades, I have been reading reports declaring how universities need to find new models for their relationships with all of their constituents. Back in 1983, the National Commission on Excellence in Education's report, "A Nation At Risk," argued that our society and its educational institutions had lost sight of the basic purposes of schooling, and of a high expectation and the disciplined effort needed to attain such purposes.

Twenty-two years later, The American Association of State Colleges and Universities (AASCU) issued the 2005 report, "Renewing the Promise: The Public's Universities in a Transforming World." That report argues that the social contract among the citizenry, its leaders, and universities is frayed, and calls for a new model built on connections between state needs and priorities, and university missions; calling for

revisiting expectations for what broadened access really entails; and calls for campus-government partnerships that balance entrepreneurship and accountability.

I don't think we need any more reports, personally. Instead, I would tell you that I think what we need to do is to try and ferret out why these calls for change recur. What is it that makes us vulnerable? And what is it that is preventing positive change? There are a couple of things that I think fit that bill.

The first factor, I would say, is confusion and even underlying disagreement over the very purposes of public universities. The general public, political leaders, and many members of the academy itself too rarely consider, or openly discuss, what it is that colleges actually do. I think this silence can mask very profound disagreement about priorities and about values.

Public colleges and universities are expected, *inter alia*, to educate citizens for fulfilling lives and productive careers. Let's hold off for a moment on whether there is any tension or conflict between those two goals. They are expected to generate ideas that extend the boundaries of knowledge, to deepen human understanding, and that enrich people's lives. They are expected to provide expertise to businesses, farms, social service agencies, and individuals.

Recall here how Charles Van Heusen's Wisconsin idea sought to make "the beneficent influence of the university available to every home in the state." We look to our public colleges and universities to supply all levels of talent, from direct job training, which I think is a specialty and strength of community colleges, to articulate, literate, numerate, and intellectually nimble employees for a fast-changing world and workplace. And I would argue that a liberal arts education is the best preparation for this.

We look to our public colleges and universities to supply cutting-edge talent and experts in every conceivable field. This is the province, obviously, of graduate programs, especially Ph.D. programs.

We look to our public universities and colleges to spawn and to incubate new businesses. And we also look for them to enhance the state's cultural, intellectual, and even their recreational life.



Now I worry a lot about the differential importance attached to such goals by faculty, students, staff, and the university's external constituents. What do you think of the relative preferences of a state legislator seeking to revitalize an old mill town? Of a student who has discovered a passion for philosophy?

Of that student's mother, who is worried what her daughter will do with a philosophy degree? Of that student's professor, whose entire life has been devoted to the study of utilitarianism and who has seen enrollments in his discipline plummet and knows that when he retires, he is unlikely to be replaced? What are the preferences of a die-hard booster of that same college's football team?

Public universities and their patrons don't talk enough and don't talk openly enough about these contradictions, or about the need to make trade-offs between some of these mission elements. If blight strikes Pennsylvania's mushroom crop, should Penn State's botanists be expected to solve that crisis? If a university has just launched a chemical engineering Ph.D. program, but its state faces a nursing shortage, should it pour its marginal dollars back into nursing? What if there is a need for engineers, but students prefer softer, maybe even less demanding majors? Should a college expand its entering class to admit more local students, even if that would dilute the academic quality of the class?

Lack of candor about these types of tensions raises the expectations of the various constituents, and I think sets them up for disappointments when somebody's hopes are inevitably going to get dashed.

Ron Ehrenberg, who is sitting here in the room right now, in his book, *Governing Academia*, notes, “as external pressures grow, and the difficulty of governing colleges increases, administrators and faculty must be especially cognizant of their institution’s core academic values and be able to articulate those values to all of their constituencies.”

It seems to me that public colleges and universities are reluctant, maybe even sometimes disingenuous, about their inability to be all things to all people. This has really hurt their credibility with both internal and external audiences. I think that’s one of the reasons why change is slow or under attack. I also think our failure to explain ourselves hurts us in other ways. I’m thinking here of what I would describe as the protean and, maybe sometimes, even the “will of the wisp” nature of the work that we do. Basic research provides an obvious example: Scholars simply cannot predict how a discovery, an insight, or a new invention is going to be used over time. But I think there is a more fundamental gap in our justifications for higher education, both public and private.

The defining characteristic of colleges and universities is that they educate students. But education is a mercurial, complicated thing. It’s going to be drawn upon in many different ways over a life. Its full impact only emerges over many years. It’s not something that can be measured like a quarterly profit/loss statement can be. Yet my sense is that we still do very poorly in terms of demonstrating the transcending value of an education.

College presidents speak eloquently about the importance of a liberal arts education. We talk about how our institutions, if we do our jobs right, produce engineers who listen to Hayden, and English professors who care passionately about genomics, and public-spirited citizens who are patrons of their local libraries and museums, and are the very backbone of their communities. We proclaim all the time that the education offered at our institutions literally transforms lives. But do we rigorously demonstrate this?

Now perhaps they exist, but I’m not familiar with many good, longitudinal studies testing the noneconomic value of a college education. There’s the college and beyond database that underlies books, such as, *The Shape of the River* and *The Game of Life*, and

some other works that have been funded by the Mellon Foundation. There's a longitudinal study of 1981 Stanford graduates that formed the basis of Katchadourian and Boli's 1994 book, *The Cream of the Crop*. Pascerella and Terenzini have looked a little bit at the impact of college on personal behaviors, like health, marriage, attainment of desired family size, and consumer and leisure choices. But I would posit that colleges and universities — and, in particular, public colleges and universities, whose funding at some level depends upon convincing others of their value — have to do a better job at demonstrating the longitudinal impact of education. But to do that takes time, and not to mention there are certain methodological challenges in doing that. It takes a lot of time, and that brings me to the next challenge that I think faces public colleges and universities. This is something I would describe as the “disconnect” between political time and academic time.

Political leaders make decisions with one eye peeled to the annual budget cycle, and the other eye peeled to the electoral cycle. Such decisions are, by their very nature, short-term, if you will pardon the pun. They are fundamentally about getting elected and getting re-elected. They are decisions that are driven by what will make political hay right now before the voters go to the polls, but not too far before the voters go to the polls, because voters have notoriously short memories.

They emphasize new programs. They emphasize tangible things (think of ribbon-cuttings). They emphasize one-time expenditures that allow them to preserve budgetary freedom. They emphasize geographic distribution. It's not a coincidence that the new University of California campus opened at Merced in the San Joaquin valley. It's a growing part of the state that's never been served before. They had to put it there.

All of these decisions are rational, they are defensible, and they are correct as measured by a political metric. But they are also at odds with the pace and timing of academic decisions and academic activity. Universities are very slow, measured, and laborious in making and implementing decisions. Here are some examples.

To start a new academic program you have to have the faculty in place first. That takes time. Indeed, new funding in a state budget often can't be spent for legislatively desired purposes the same year that it is given. Assume for a moment Missouri passes its fiscal year 2007 budget this spring, the spring of 2006. If that budget contains money for new faculty lines, it will take a month or two for the state university to decide how many faculty members they can afford to hire and in which disciplines they are going to make those hires. And, even once they have made that decision, they will then start searches in the fall of 2006 for positions that will start in the fall of 2007.

Look at closing of programs, something that colleges are, of course, very loathe to do. That can take years because we typically let all of the enrolled students complete the degrees that they are working toward. And even if we do close a program, the tenured faculty may not be let go. This, of course, depends on state employment law and, if applicable, the terms of the union contracts.

All of this is enormously frustrating to political leaders, and sometimes to the public. And I think sometimes it undermines academe's credibility and our ability to forge new partnerships and new compacts.

Here is another challenge that we face: I think academic decision-making and our historic models of shared governance don't mesh well with the fluid world and markets in which colleges compete. Universities are the most stable, and also the most glacial of institutions. In the words of the late Clark Kerr, Heraclitus said "Nothing endures but change." About the historical university it might be said, instead, that everything else changes, but the university mostly endures.

About 75 institutions in the western world established by the year 1520 still exist in recognizable forms, including the Catholic church; the parliaments of the Isle of Man, Iceland, and Great Britain; the governing structures of several Swiss cantons; the bank of Sienna; and some 61 universities. There are excellent reasons for our stability and our caution. After all, preserving and transmitting the world's accumulated wisdom should, in

fact, breed a certain amount of circumspection. But deliberateness is different from stodginess, or from self-satisfied resistance to change.

In *The Research University in a Time of Discontent*, a 1993 collection of essays about the future of higher education, Jonathan Cole, then provost at Columbia, noted that “The structure of universities impedes decisions from being made, creates suspicion among schools and departments about the explicitness and fairness of criteria for dividing up scarce resources, and reduces the flexibility institutions require to respond imaginatively and reasonably to new academic needs and priorities.”

Cole gives two examples of change at Columbia: the relatively unsuccessful dissolution of the department of linguistics, which took 17 years to implement; and the decision to close the school of library science, which took only two years and, thus, was a relative success. Cole argues that in a healthy model of shared academic governance faculty should be responsible for curricular decisions, appointments, and promotions. Faculty and administrators should collaborate on defining academic priorities for the institution and the president, provost, and deans should develop the institution’s overall vision and priorities. They then also have to turn those goals into concrete achievements. In short, not everything is a governance matter. Look at prioritizing among construction projects. What if you need both a new police station and renovated faculty offices? The decision of which of those to do is not a matter of governance, nor is the decision whether or not you are going to computerize student billing.

Colleges devote considerable time and considerable effort consulting with all campus constituencies, attempting to achieve consensus on even the most wrenching of decisions. But consensus is not always possible. You are not going to have consensus on whether or not you need to discharge an incompetent colleague. It’s just not going to happen.

We have to guard against the exploitation of process to create additional opportunities to block or reverse hard, but necessary, decisions. Now, however, I would say that those who have to make these kinds of decisions also need to be held

accountable. Presidents, provosts, deans, department chairs, all have to use as their yardstick what is right for the institution over the long haul. That's the touchstone. You can't be calculating your next career move or be overly anxious about keeping the job that you hold at any given moment. As Cole observes, "Consultation is essential, but there cannot be inordinate delays in decisions to mollify everyone. Leaders present clear explanations for their decisions, and, once the choices have been made, there ought to be open reporting of the outcomes that will permit the university community to evaluate the consequences of the action taken."

I would also say to you that appropriate deliberateness in decision-making is different from fearful defensiveness. Why are universities so cautious and sometimes so overly defensive? I think there are several reasons; I think there is a belief that we are not adequately understood, as I've discussed earlier. I think there is often insecurity about external, "outside" criticism. This is a downside of being the sort of cloistered places that we choose to be. I think sometimes there is a guilty recognition that we have real problems and real vulnerabilities that we need to change. We are not very good at serving students', particularly nontraditional students', needs. I think there's lots of intellectual snobbery in academe between different types of institutions, between one discipline towards another, and sometimes towards the public at large. I think sometimes we have a faculty reward structure that sometimes is too slanted to recognizing scholarly achievements, as important as I believe scholarly achievements are. And I think our defensiveness also stems sometimes from the willingness of zealots and provocateurs from all points on the spectrum to use colleges as handy and convenient punching bags.

Here's another problem that I think stands in the way of the types of change that we need and a challenge that we face. I think we are pinched, squeezed, and mangled by a procrustean bed of regulations and inapposite labor-relations models. Public colleges and universities are not similar to, and should not be governed the same way as, conventional state agencies. We are not equivalent to the Department of Motor Vehicles. Universities are *sui generis*; they need freedom, they need flexibility to accomplish their

academic missions. But I think many states exert suffocating oversight over colleges and universities.



I think having tuition set by a political process almost ensures bad decisions. In some states the primary objective is to force one's political adversaries to be the first one to advocate a tuition increase so that they can be savaged for doing so. This is not a thoughtful way to price higher education, particularly because I think

it is disconnected from ensuring access through well-crafted and equitable financial aid strategies and policies.

Lots of states have cumbersome contract rules that are driven not by building academic quality, not by efficiency, but simply by a desire to protect the public "fisc." State controllers often approve purchase of even very modest amounts. It takes a long time to get those approvals. And here, actually, you see a reversal of the sorts of timing issues I was speaking about earlier.

When a new chemist arrives, his or her lab has to be already set up for them or the research program is going to collapse. If new carpet is not installed in a dorm before the semester begins, it's not going to get installed until the year is over. But state regulators are not going to hurry their decisions, they are not going to change the way they do things, just because of an academic need or an academic time table. That's a tension force.

Another problem is that state budgets often sever capital budgets from operating budgets, but the two are obviously intimately connected. If you bring a new building online there are going to be impacts in terms of the maintenance and the utilities for that building. These are not two separate things. And here I will be so bold as to venture a

New York State example: Money for campus buildings in New York does not go to SUNY campuses, nor does it even go to SUNY Central. Instead, it goes to the state university construction fund.

Now in the past, the fund itself, and not campus leaders, decided what was or what wasn't going to be built on campuses. Fortunately, under the current fund's leadership that's changed for the better. But while the fund has many dedicated and skillful employees, I think it's still legally and operationally flawed that contracts for campus projects are just between the fund and the relevant architect or contractor who is doing the work. The college is not a party to the deal, and so it has no direct control over who is awarded the contract, where, of course, the lowest bid has to prevail; how the work is performed; how problems in the work get rectified, if at all; and whether to sign off on the finished work. It seems to me that campuses have to live with the results of the quality of that work. They should be given more oversight — and in return be held accountable — for these types of decisions and for that type of performance.

By simplistically treating public universities like all other public agencies, states elevate political control and fiscal oversight ahead of academic quality and ahead of responsiveness to the public's educational needs. In essence, I think we are using a late 19th century civil service model for a 21st century intellectual and economic world. The best structural model I know of is in California, whose state constitution establishes the University of California as a public trust separately administered and separately governed from all other branches of the state government.

Now I absolutely would concur that public colleges have to be held accountable. These are, in fact, public tax dollars that are being used to support much of what we do. But we can be a lot more creative. We need to be a lot more creative about how we monitor the wise use of such dollars. We should emphasize post-expenditure audits as opposed to pre-expenditure approvals. We need tighter conflict-of-interest policies. We need clearer governance channels from boards of trustees on down. We need distributed budget authority to campuses and across campuses. We need clearer consequences for unwise or improper expenditures.

An interesting model that I've been following recently is the compacts that the Commonwealth of Virginia is now beginning to enter into with its public universities. I think there may be some interest here. In exchange for flexibility in areas such as personnel, procurement, capital spending, and information technology, Virginia colleges have the option of committing to multiyear financial, academic, and enrollment plans with very clear performance measures, all of which are tied to state needs. In theory, if they meet their goals under this compact in the next round of negotiating these compacts, the institution is able to negotiate a more flexible, more favorable agreement. You know, the verdict is obviously still out on this, but I think it may have some interesting potential as a model.

These types of approaches are especially needed when the proportion of a university's budget that comes from the state is declining over time. It's all the more necessary to be creative and innovative in that circumstance.

Finally, in many states public universities are constrained by ill-crafted and outdated workforce structures. The commentator on higher education law who I respect the most — that would be me [laughter] — has argued that given the basic philosophical and legal structure of American labor law, unionizing academic employees often resembles jamming a square peg into a round hole.

Federal and state labor laws are premised on a classic industrial model of unionization with a sharp division between management and labor. Put simply, management determines the business that will be engaged in, the current product lines, the methods of production, and the sales price. Labor simply makes the product. This model may work reasonably well on the assembly line, but the distinction between management and labor is much less obvious with scholarly employees like faculty, who actually control the content and mode of delivery of the university's research and teaching product. Or who, perhaps, even should be viewed as that product.

Now, as I trust I've made clear, I support shared governance between faculty and administration on academic matters. I also fiercely believe that tenure is a key safeguard

of academic freedom, and is a source of institutional strength. And I break with my peers who think that faculty unions are inherently unworkable, if not destructive. To the contrary, I've seen unions actually play a very valuable role in ensuring fundamental fairness in personnel procedures.

But academic life and the pursuit of academic quality is premised on scholars' intellectual bravery and their willingness to draw very tough distinctions between individuals based on things that come back to quality. You have to make hard decisions on matters like: Who merits admission? What grade has a student earned? Who should be hired? Does an article deserve to be published? How good is a college teacher? Who has actually earned tenure? Who should be elected to membership in a learned society? Academic life is a constant series of winnowing pools, and I can't square this with seeking to protect weaker, incompetent employees or resisting merit-based and nonprejudicial recognition of distinctions between employees' performance.

I'll give one more example, which is irrelevant to SUNY, as we've actually gone in a different direction of how industrial models can be clumsily grafted onto academic trees. There's been a lot of debate recently about graduate student unionization. The National Labor Relations Board (NLRB) has flip-flopped on this issue, but it currently takes the position that grad students are fundamentally students, and not employees. I believe that's correct. I think that grad students are, at their core, apprentice scholar/teachers who are preparing for a career that they have not yet entered, and that pedagogical training they acquire as TAs should be an integral part of their education.

But many universities have short-sightedly ignored that goal, and have taken advantage of graduate students to stretch limited resources as far as possible, and to placate senior faculty who simply do not wish to teach lower level undergraduate courses. If they hope to avoid graduate student unions, institutions at the very least have to re-link students' teaching duties to their educational programs and ensure meaningful faculty oversight of such activity. If they fail to do this, universities will get saddled with unworkable union structures, as New York University has learned.

Given that we've had at least 25 years of reports calling for new paradigms for higher education, it is unlikely that in my 25 minutes here at the podium I have solved this challenge, but hopefully some of my observations today will lead us to dig a little harder for some of the structural and cultural reasons that contribute to tension over the role and the effectiveness of public colleges and universities, and also to look for the kinds of evidence that will let such institutions make their case to their constituents in the most compelling and lasting terms.

Thank you very much.