A Proposed Study of The Changing Nature of The American Research University Ecosystem

The highly competitive nature of higher education in America, where universities compete for the best faculty members, the best students, resources from public and private sources, athletic supremacy, and reputation, has created an environment that demands excellence. However, while competition within the higher education marketplace can drive quality, if not always efficiency, it has an important downside. When serious imbalances arise in available funding, policy restrictions, and political constraints, such competition can deteriorate into a damaging relationship that threatens not only institutional quality and capacity but more seriously the national interest. Today an intensely Darwinian, 'winner-take-all' ecosystem is evolving in which the strongest and wealthiest research universities have become aggressive predators, raiding the best faculty and students from less generously supported and politically or policy constrained institutions while manipulating federal policies (e.g., research funding, student financial aid, tax benefits) to sustain a system in which the rich get richer and the poor get devoured.

This ruthless competition poses a particularly serious challenge to the nation's leading public research universities. These flagship institutions now find themselves caught between the rock of declining state support and the hard-place of the predatory practices of rich private universities. Aging populations are not likely to give higher education a priority for state tax dollars for perhaps a generation or longer. Hence, even as states are depending more on their public universities–expanding access to underserved communities, achieving world-class performance in research and graduate studies key to regional economic competitiveness–state appropriations are declining while demands for higher efficiency and accountability are intensifying.

In sharp contrast, due both to booming financial markets and favorable federal financial aid and tax policies, many private universities have managed to build endowments so large (at least on a per student basis) that they have become essentially independent of the traditional revenue streams supporting higher education, e.g., student tuition, R&D grants, even private giving. This creates a serious competitive imbalance in the marketplace for talented faculty, outstanding students, and public and private resources, since the wealth gap between the rich privates and flagship publics is growing ever larger. This is aggravated by the political constraints on public universities

that not only limit their flexibility and agility, but also hinder their capacity to compete (e.g., constraints on tuition, affirmative action, technology transfer, and globalization).

The plight of the public research university is not only a serious challenge to the states but as well as to the nation, since these institutions represent the backbone of advanced education and research, producing most of the scientists, engineers, doctors, lawyers, and other knowledge professionals, conducting most of the research, and performing most of the public service sought by states. Erosion in the quality and capacity of leading public research universities would also harm private higher education in the long run because of the strong and beneficial interdependence among these institutions. It would be a national disaster if the public research university were to deteriorate to the point in which research and advanced education of world-class quality could only occur in the 20 to 30 wealthiest private universities.

To understand these challenges and determine how best to respond at the national, state, and institutional level, several organizations are in the early planning stages of major projects concerning "the changing U.S. research university ecosystem":

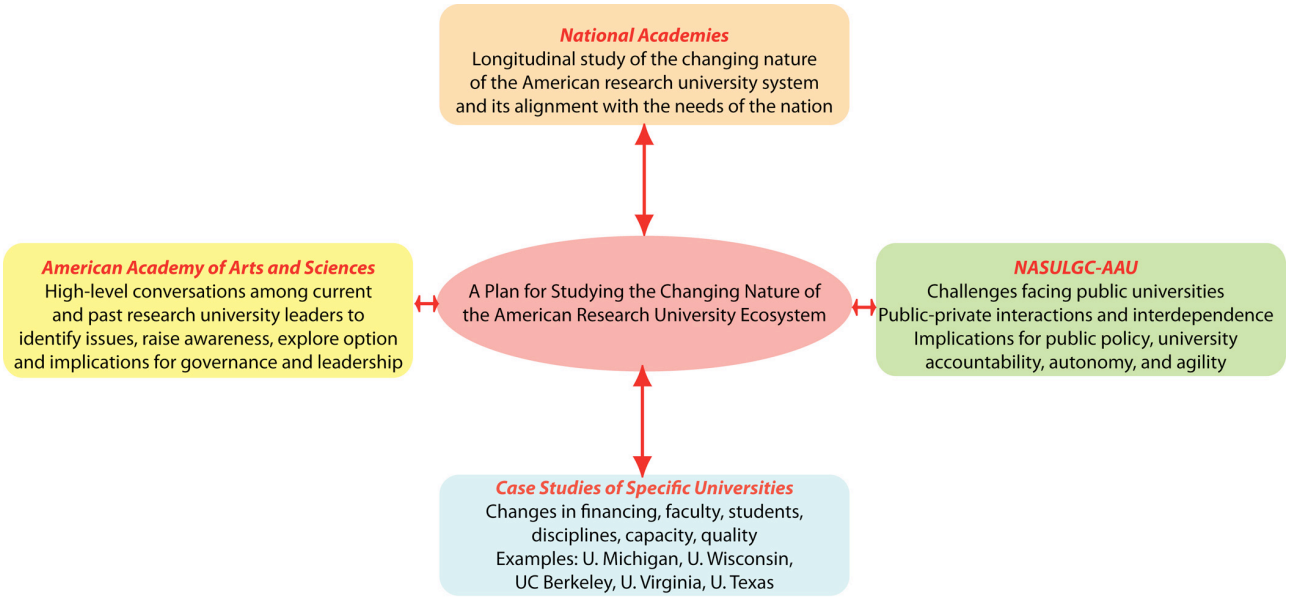
- National Academies: The Global and Policy Division of the National Research Council is exploring the possibility of launching a major study on "Sustaining the Competitive Position of U.S. Research Universities". (MRC Greenwood, Rich Bissell, and Peter Henderson)

- The National Association of State Universities and Land Grant Colleges (NASULGC) is in the final stages of completing a major longitudinal study of the shifting financial support of public research universities (e.g., eroding state support, increasing student tuition, etc.) and is clearly interested (Peter McPherson). There is also interest on the part of the Association of American Universities (Bob Berdahl).

- The American Academy of Arts and Sciences is unusually well positioned to convene a series of meetings of both current and former university leaders concerning the competition and interdependence between public and private research universities aimed at exploring issues, raising awareness, and identifying options.

- Several public universities are in the process of launching internal studies to understand the implications of disappearing state support, including both

longitudinal studies of their changing character (financial, programmatic, demographic, capacity, and quality) and possible doomsday scenarios for privatization.



More detailed descriptions of these efforts are provided below:

National Academies (National Research Council)

Premise: The health and competitiveness of research universities are critical to the national interests. The sufficiency and optimal application of resources across fields by these institutions to sustain a healthy cadre of outstanding researchers, a robust research infrastructure, and the ability to translate research discoveries into useful applications are critical to the research enterprise and the global position of the United States and the well-being of its citizens.

Issues of Concern:

1. The changing nature of the interdependence of various elements of the American research university enterprise, both through competition and cooperation.

2. The degree to which shifting state and federal policies (e.g., tax policy, financial aid policies, tuition constraints, sponsored research policies, affirmative action constraints) differentially affect various elements of the U.S. research university enterprise.

3. The anticipated erosion of state support of public research universities over the next several decades as aging populations give highest priority for tax dollars to retirement security, health care, and tax relief rather than education.

4. The impact of the increasing demands for disclosure and accountability of instructional outcomes upon the research mission of universities.

5. The implications of the changing needs, missions, and environment of American higher education for the leadership and governance of research universities.

6. The role that industry, private foundations, and donors play in funding and determining the direction of research.

7. The standing of American research universities relative to those in both the developed and developing world.

An understanding of the research enterprise in the United States, including the roles of the federal government, state governments, research universities, industry, and others is important for addressing the central issues in this project. This includes knowledge of the science that is being carried out and its funding and organization. An understanding of the political, economic, and organizational dimensions of the research enterprise is critical to discerning both the current situation and policy options going forward. The target audiences for the National Academy project are: (1) federal policymakers in Congress and the Administration, (2) state policymakers, (3) university administrators, (4) foundations, and (5) firms that partner or wish to partner with academic researchers.

The National Academies have both the unique capability and public visibility to address issues central to the health and competitiveness of the research enterprise. Congress has turned to the National Academies to address these issues on many occasions, including those that led to such seminal reports as *Science, Technology and the*

Federal Government: National Goals for a New Era (1993) and *Rising Above the Gathering Storm* (2007) to which this activity is a natural follow-on.

Possible Questions for Investigation:

1. What is the impact of America's public research universities on graduate and professional education and research? How does this compare to the impact of American private research universities and leading research universities throughout the world on both an absolute and relative basis? How do US universities in general stack up against those of other countries? Are any of the national rankings accurate or meaningful enough to be a basis for policy decisions?

2. How do public research universities compare with private research universities in the following areas?:

i) total support per student or faculty member (including faculty salaries)
ii) public subsidy per student or faculty member (including tax "expenditures")
iii) private philanthropy per student or faculty member
iv) flexibility and agility (tuition, affirmative action, etc.)
v) governance
vi) commitment to public engagement (regional, national, global)

3. How have these characteristics changed over the past two decades, and how are they likely to change over the next decade? Is there direct evidence of a shifting balance among public and private research universities in areas such as faculty hiring (including raids), student quality, student demographics, and research awards? Has the erosion of state support for the public research universities undercut the core of the institutions such that research capacity, however measured, has been compromised seriously in that sector?

4. Thirty years ago at a similar time of nervousness about research and graduate education, one concern was the allocation of resources among the top vs. the middle and lower-ranked universities, with the fear that the growth was

occurring in those of lower rank, while higher ranked programs were cutting back. What is happening in that regard today?

5. Are the moves toward privatization of the publics that are politically viable, (e.g. the Virginia restructuring plan) sufficient to keep the publics in the game or will such changes be too little, too late?

6. Has the return to a doctoral degree in the sciences and engineering declined so much relative to other professional degrees that incentives to enroll are sharply diminished relative to earlier times?

7. What have been the recent patterns of support for academic research by industry and private foundations? How have these patterns influenced research by institution, by field or both? What have been the positive outcomes and negative consequences of these patterns on the direction of research and the competitive position of the U.S. within specific fields?

National Association of State Universities and Land Grant Colleges

The premise of the NASULGC effort is that an affordability challenge for public higher education looms in the years ahead. Public higher education and state and federal governments must deal with this challenge by wise, thoughtful and decisive leadership. Although public higher education has done a good job managing its resources, very large challenges are ahead. For the past two decades inflation adjusted expenditures per FTE student by U.S. public higher education have been nearly flat while state appropriations have not kept up with the increase in student enrollment. Accordingly, tuition has substantially increased as a percentage of the total cost per student (revenue from tuition plus state appropriations). In short, public higher education has lived with about constant revenues while being forced to deal with increased costs of technology, employee health care, student services, etc.

This situation is likely to become even more serious as aging populations shift priorities for state tax dollars away from investment in education to expenditures on retirement, health care, security, and tax relief. Yet if the current decade-long trajectory of tuition and family incomes continues, lack of affordability could greatly limit both student choice and weaken institutions. The body politic in the years ahead will likely

intervene before the affordability challenge places the possibility of earning a college degree beyond a significant proportion of the public. That political intervention could take the form of price controls, faculty workload mandates, uniform limitation of the maximum credit hours needed to earn a degree, forced reduction of the attention given to research, or some yet unimagined but perhaps even more potentially harmful intervention. The widely reported status of U.S. higher education as "best in the world" could be jeopardized by actions that threaten our universities' independence and the diversity of their highly successful approaches to delivering higher education. While such actions are directed at reducing "out-of-control" costs, they are misdirected and will not produce the desired effect.

The NASULGC effort is exploring a series of possible options:

1. Perhaps individual universities can find additional ways to reduce costs that permit them to reduce tuition increases. We certainly recognize that most public universities have reduced certain costs. They have done so with great effort and rarely received much public credit for doing so. Yet more may be possible.

2. Perhaps ongoing trials and research into student learning and pedagogical design will discover less costly methods to deliver quality instruction than the traditional lecture method.

3. Perhaps we can better articulate the "public good" value derived from higher education and persuade state and the federal governments to return the per student subsidies they provided two decades ago.

4. Perhaps individual universities can provide evidence that will persuade individual students and their families that higher tuition is worth the additional cost and thereby create greater willingness to pay an even higher proportion of family income to obtain a degree.

5. Perhaps over time we can build substantially greater endowments and use those additional funds in some part to help attenuate the affordability for the financially most vulnerable portions of the student body. (However, the sums required are so much greater than what is now available that it is highly unlikely that public universities can obtain enough additional funds in the near or

medium term to moderate tuition increases for a large number of students, much less to reduce tuition.)

6. Perhaps state governments, university boards and universities can develop compacts that will establish acceptable affordability targets and tuition policies, cost policies, financial aid and funding levels that will permit those targets to be met.

7. Perhaps we can persuade governments at all levels to significantly reduce the regulatory burden on universities and to pass the cost savings along to students and families.

AMERICAN ACADEMY OF ARTS AND SCIENCES

Part of the challenge is to encourage the leaders of higher education to reaffirm the importance to the nation of a balanced mix of world-class public and private research universities, to recognize the strong interdependence of these institutions and the dangers of predatory behavior that could damage not only individual institutions but the entire system, and to explore options that might address these concerns. The American Academy of Arts and Sciences is uniquely suited for hosting such conversations, drawing together university leaders and others from the public and private sector in a series of small focus groups (roughly a dozen participants each) to consider these issues. While the involvement of current research university leaders in such discussions is essential, so too are separate discussions involving former leaders whose detachment from the current responsibilities (and mindset) of competing in the higher education marketplace might lead to more candor and perhaps wisdom.

The American Academy would host such daylong discussions, provide staff support (and perhaps facilitators), and provide summaries that could be used to develop a final report for public distribution. Examples of participants might include:

Past Leaders: Rosovsky, Bok, Rudenstine, Shapiro, Rhodes, Kennedy, Rupp, Vest, Ward, Carnesale, Duderstadt, Dynes

Current Leaders: Faust, Levin, Hennessy, Simmons, Tilghman, Coleman, Birgenau, Wiley, Powers, Moeser, Boren

Higher Education Scholars: Ehrenberg, Chiat, Breneman, Zemsky, Massey, Miller, Callen, Alexander, Kane, Wegner

CASE STUDIES OF THE CHANGES OCCURRING IN PUBLIC RESEARCH UNIVERSITIES

Key in these efforts are detailed studies of how specific public research universities have changed over the past several decades, in funding sources, faculty distribution (e.g., tenure-track vs. part-time, academic vs. professional disciplines, age, diversity), student data (enrollments, major distributions, socioeconomic distribution).

To develop a template for such efforts, the University of Michigan intends to launch a research study in its Gerald R. Ford School of Public Policy to understand better the changing nature of public research universities (e.g., financing, priorities, competitiveness, faculty, students, management, etc.) and the options that might be considered to address the erosion of state support over the next several decades. More specifically:

1. The seminar will examine in detail the changing nature of several major public research universities over the past several decades (including the Universities of Michigan, Wisconsin, Illinois, Texas, California and perhaps others, where we have particularly strong relationships with leadership).

2. Through this analysis and comparison, it will develop a template to serve for a broader study of the changing nature of public research universities within the research university ecosystem (perhaps conducted eventually by the National Academies or other national groups).

3. The seminar intends to identify the promise and pitfalls of various paths to the future (e.g., the implications of "privatization" for public universities, the possible emergence of "privately-financed but publicly-committed" universities similar to Cornell, actions that might be considered at the federal level such as a "21st century land-grant act", policies that might be developed by various national higher education organizations to protect the capacity and quality of public research universities during a particularly difficult period, etc.).

APPENDIX

SIGNS OF CONCERN

In recent years there has been a growing concern about changing nature of our system of leading American research universities. These institutions have long experienced and sustained a highly competitive market for faculty talent, outstanding students, resources from pubic and private sources, and reputation. Today serious imbalances have arisen in available funding, policy restrictions, and political constraints that are transforming beneficial competition into a predator-prey relationship that threatens not only numerous institutions but puts at risk the quality of the entire American research university ecosystem and hence the national interest. Several examples are highlighted in recent studies and publications:

General Concerns (the Spellings Commission): "We have seen ample evidence that some form of post-secondary instruction is increasingly vital to an individual's economic security. What we have learned over the last year makes clear that American higher education has become what, in the business world, would be called a mature enterprise: increasingly risk-averse, at times self-satisfied, and unduly expensive. It is an enterprise that has yet to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing educational needs of a knowledge economy. It has yet to successfully confront the impact of globalization, rapidly evolving technologies, an increasingly diverse and aging population, and an evolving marketplace characterized by new needs and new paradigms."

Predatory Behavior of Private Institutions (Business Week): "The fabulous prosperity of America's top tier of private universities is defined by the great magnitude of their wealth relative to their modest size and to the rest of the higher education universe. The gilding of the Ivies offers a striking manifestation of the contemporary American tendency of the rich to get much richer and casts into sharp relief the travails of America's public institutions of higher learning, which educate 75% of the country's college students. While the Ivies, which account for less than 1% of the total, lift their spending into the stratosphere, many public colleges and universities are struggling to cope with rising enrollments when most states are devoting a dwindling share of their

budgets to higher education. It is unlikely that more money has ever been lavished on the education of so few."

"The Ivy's cannot fairly be blamed for public education's financial predicament, but they certainly are exploiting it. Even the most prestigious of public universities are increasingly hard-pressed to repulse richly financed, Ivy Plus raiding sorties seeking to steal distinguished faculty members and their research grants. Ivy administrators argue that gathering the best researchers in resource-rich havens has a synergistic and broadly beneficial effect. It has even been suggested that as lesser (i.e., public) universities loose market share, they would be wise to really emphasize social science or humanities and have science endeavors that are not as ambitious as the elite private institutions.

"For better or worse, the infusion of riches at the Ivy Plus schools has dramatically extended their lead over everyone else, especially the public colleges and universities that collectively serve the vast majority of American students. This dominance–and the inequities that it fosters–are likely only to grow. Hence, the public policy issue: *Is this concentration of financial, faculty, and student resources in a small number of wealthy private institutions, in part at the expense of the flagship public universities, in the national interest*."

"As the provosts of the Big Ten universities have concluded, 'The relative impoverishment of these schools threatens to upset a public-private balance that is at the core of America's status as the world leader in higher education and academic-based research. That balance underwrites our ability to meet global competition with social, scientific, and economic leadership. We believe that most of our colleagues at private research universities would agree that it benefits our country–and private universities–to have a strong cadre of public universities.'"

<u>The Growing Vulnerability of Public Institutions (National Association of State Universities and Land-Grant Colleges):</u> "An affordability challenge for public higher education looms in the years ahead. Public higher education and state and federal governments must deal with this challenge by wise, thoughtful and decisive leadership. Although public higher education has done a good job managing its resources, very large challenges are ahead."

"The inflation adjusted per FTE student expenditures by U.S. public higher education have been nearly flat for the last 20 years. This fact is not widely understood because tuition has increased substantially during this period. However, state appropriations have not kept up with the increase in student enrollment. Accordingly, tuition has substantially increased as a percentage of the total cost per student (revenue

from tuition plus state appropriations). Of course, these are average figures and individual institutional facts will vary. In short, public higher education has lived with about constant revenues while being forced to deal with increased costs of technology, employee health care, student services, etc. This is why most universities constantly feel the pressure to cut the cost of some activities despite tuition increases."

"Moreover, if the current decade-long trajectory of tuition and family incomes continue, lack of affordability could greatly limit both student choice and weaken institutions. The body politic in the years ahead will likely intervene before the affordability challenge places the possibility of earning a college degree beyond a significant proportion of the public. That political intervention could take the form of price controls, faculty workload mandates, uniform limitation of the maximum credit hours needed to earn a degree, forced reduction of the attention given to research, or some yet unimagined but perhaps even more potentially harmful intervention. The widely reported status of U.S. higher education as "best in the world" could be jeopardized by actions that threaten our universities' independence and the diversity of their highly successful approaches to delivering higher education. While such actions are directed at reducing "out-of-control" costs, they are misdirected and will not produce the desired effect."

"Public research universities have risen to meet national challenges in the past. With the passage of the Morrill Act in 1862, public research universities were transformed to meet the agricultural/industrial needs of the country. In the immediate post-World War II era, they dramatically expanded to serve the returning GIs. In the 1960s, public research universities responded to the technological challenge of Sputnik. This challenge to cost and affordability is one to which we can respond successfully as well."

<u>The Changing Nature of Competition Among Research Universities (Association of Governing Boards and Miller Center):</u> "While the competition within the higher education marketplace can drive quality, if not always efficiency, there is an important downside. The highly competitive nature of higher education in America, where universities compete for the best faculty, the best students, resources from public and private sources, athletic supremacy, and reputation, has created an environment that demands excellence. However, it has also created an intensely Darwinian, 'winner-take-all' ecosystem in which the strongest and wealthiest institutions have become predators, raiding the best faculty and students of the less generously supported and more

constrained public universities and manipulating federal research and financial policies to sustain a system in which the rich get richer and the poor get devoured. "

"This ruthless and frequently predatory competition poses a particularly serious challenge to the nation's public research universities. These flagship institutions now find themselves caught between the rock of declining state support and the hard-place of the predatory rich private universities. As we have noted earlier, aging populations are not likely to give higher education a priority for state tax dollars for perhaps a generation or longer. Hence, even as states are depending more on their public universities–expanding access to underserved communities, achieving world-class performance in research and graduate studies key to regional economic competitiveness–state appropriations are declining while demands for higher efficiency and accountability are intensifying."

"In sharp contrast, due both to booming financial markets and favorable federal financial aid and tax policies, many private universities have managed to build endowments so large (at least on a per student basis) that they have become independent of the education marketplace (e.g., student tuition, R&D grants, even private support). This creates a serious competitive imbalance in the marketplace for the best faculty, students, and perhaps resources, since the wealth gap between the rich privates and flagship publics is growing ever larger. This is aggravated by the political constraints on public universities that not only limit their flexibility and agility, but also hinder their capacity to compete (e.g., constraints on tuition, affirmative action, technology transfer, and globalization). The plight of the public research university is not only a serious challenge to the states but as well as to the nation, since these institutions represent the backbone of advanced education and research, producing most of the scientists, engineers, doctors, lawyers, and other knowledge professionals, conducting most of the research, and performing most of the public service sought by states. It would be a national disaster if the public research university were to deteriorate to the point in which research and advanced education of world-class quality could only occur in the 20 to 30 wealthiest private universities."

Changing Behavior of Research Universities (National Academies): In recent testimony, it has been observed that "Over the past several months we have seen a few of the rich and famous universities propose to use their massive endowments for broader purposes such as reducing costs to the middle class (here it is hard to understand how a $180 K family income is 'middle-class, although perhaps it is to some elite institutions), creating more faculty lines, building more buildings, and so on. But there is something important

happening here, besides Senator Grassley waving his sword threatening to tax endowment earnings or at least require higher payouts for educational purposes. Roughly a dozen private universities have now managed to build endowments so large, at least on a student basis, that they have become independent of the education marketplace (e.g., student tuition, R&D grants, even private support). When an institution makes several times as much from investments as from any other revenue stream, it begins to behave more like a bank than an educational institution."

"While several of the public universities are also building significant endowments, their size on a per-student basis pales in comparison with the elite private universities. This has created a serious competitive imbalance for the best faculty, the top students, and resources such as gifts, grants, and federal largesse. The wealth gap between the rich privates and flagship publics is getting larger and larger."

Tax Policy (Senate Finance Committee Hearings): "Yet another complexity arises from the hidden subsidies of higher education by both state and federal government through the foregone tax revenues arising from the treatment of university gifts and endowment earnings as charitable gifts and nontaxable income, respectively. To be more specific, when a university receives gifts that are deducted as charitable contributions, other taxpayers subsidize in effect these foregone tax revenues. Similarly, the nonprofit nature of endowment earnings also makes them exempt from the taxes that would apply to for-profit company revenues. It is estimated that foregone tax revenues or "tax expenditures" from charitable gifts and endowment earnings amount to roughly $16 B per year (assuming an average 30% tax rate on the $25 B of gifts and $27 B of endowment earnings), which amounts to a federal government subsidy of as much as $50,000 per student at well-endowed private colleges and universities, leading to the ironic situation that when all support, public and private, is accounted for, several of these institutions are among the most "publicly supported" universities in the nation. Of course, one can make a strong case for the appropriateness of some degree of public support of private higher education. Yet these "tax expenditures", while very real and perhaps appropriate burdens on state and federal tax revenues, are rarely included in the total picture of cost, price, and value of a college education, although they would significantly modify the true costs and public subsidy picture of American higher education. Furthermore, their existence raises the serious policy issue as to which is more in the public interest: Subsidizing the education of rich kids at rich institutions at $50,000 each, or using these funds to provide Pell Grants to ten poor kids to enable their education at public colleges and universities!"

So What Is Going On?

Issues of National Interest

Public research universities in the United States are tightly bound both in public purpose and tax support to their states. Yet, even as states demand more from their public universities–increasing the production of college degrees, expanding access to underserved communities, achieving world-class performance in research and graduate studies–appropriations have been declining. While some of this erosion of state support is due to the cyclic fluctuations in the economy, it is also becoming increasingly clear that aging populations are no longer giving education (much less higher education) a very high priority for tax dollars. While university leaders continue to make strong appeals for adequate state support, many have concluded that the most prudent course is to manage their institutions under the conservative assumption that they are likely to experience declining state support for several decades, until the baby boomers pass on into the sunset. In fact, state support of most of America's flagship public research universities (e.g., institutions such as the Universities of California, Washington, Wisconsin, Illinois, and North Carolina) has already declined to less that 20% of their operating budgets, with some (e.g., Michigan, Virginia, and Colorado) dropping below 10% and are now portraying themselves as a new species of "privately supported public universities".

In sharp contrast, due both to booming financial markets and favorable federal tax policies, many private universities have managed to build endowments so large (at least on a per student basis) that they have become independent of the education marketplace. With endowment earnings now exceeding the sum total of all other revenues, e.g., student tuition, R&D grants, and private gifts, some are behaving more as banks than educational institutions. This widening gap between the rich private universities and the weakening state support of public research has created a serious competitive imbalance in the marketplace for the best faculty, students, resources, and reputation. This is aggravated by the political constraints on public universities that not only limit their flexibility and agility, but also hinder their capacity to compete (e.g., constraints on tuition, affirmative action, technology transfer, and globalization).

The plight of the public research university is not only a serious challenge to the states but as well as to the nation, since these institutions represent the backbone of

advanced education and research in America, producing most of the scientists, engineers, doctors, lawyers, teachers and other knowledge professionals, conducting most of the research, and performing most of the public service sought by states. It would be a national disaster if the public research university in the United States were to deteriorate to the point at which research and advanced education of world-class quality could only occur in the 20 to 30 wealthiest private universities.

Issues of Importance to Public Universities

State funding of public research universities is likely to decline over the next several decades as aging populations give highest priority for public tax dollars to health care, retirement security, and tax relief rather than investments in education. Yet at the same time, due in part to federal tax and financial aid policies, the wealth of elite private universities has grown substantially, creating a serious competitive imbalance as they deploy these assets in a predatory fashion to raid the best faculty, students, and research funding away from resource constrained public universities.

Public universities are further disadvantaged by political constraints (e.g., tuition, affirmative action, technology transfer) that not only limit their capacity to meet their public mission but also hinder their ability to compete with wealthy private institutions for faculty, students, and resources. Furthermore, the intensely political nature of the governing boards of public universities is also a formidable challenge.

There is growing concern about the degree to which current federal policies (e.g., tax policy, financial aid policies, tuition constraints, sponsored research policies) preferentially favor private higher education.

Issues of Importance to Private Universities

There is concern about federal intrusion and policy change in areas such as student financial aid, tax treatment of charitable giving and endowment earnings, endowment management, accountability (including disclosure of financial information and student records), learning outcomes assessment, and regulation (sponsored research, technology transfer, accreditation, etc.).

While perhaps not adequately recognized or at least acknowledged, there is a strong dependence of private higher education on public universities for faculty, graduate students, and support for strong federal funding in areas such as student

financial aid and research. Hence any erosion in the quality or capacity of public higher education would be harmful to private higher education as well.

Policy Issues

1. How best can the United States achieve and preserve the competitive balance between public and private research universities necessary to address the diverse needs of the nation? How do federal policies in areas such as taxation, student financial aid, research support, and regulation affect this competitive balance?

2. The flagship public research universities represent an asset of immense importance to the nation. How can the federal government best protect these assets, a key element of its intellectual infrastructure, during an era in which the states responsible for and dependent upon these institutions no longer have the capacity or the will to adequately support them?

3. Although controversial, it may be time to raise the issues about the equity and public value of federal tax policies that while benefiting higher education also can drive serious inequities, including the treatment of charitable giving, endowment earnings, and unrelated business income (e.g., intercollegiate athletics).

Premises

1. One of the great strengths of American higher education is the presence of a system of world-class public and private research universities, sustained by public policies that ensure sufficient balance in financial assets, flexibility, and quality to serve the diverse needs of the nation.

2. Both public and private universities have an obligation to serve the public purpose and meet the needs of the nation, since all benefit from public support, and while characterized by different legal status and governance, are in fact public bodies.

3. State funding of public higher education is likely to decline over the next several decades as aging populations give highest priority for public tax dollars to health care, retirement security, and tax relief rather than investments in education.

4. It is essential that federal policies in areas such as tax benefits, student financial aid, research funding, and regulation sustain quality, diversity, and balance in the research university system rather than threaten competitive balance and drive predatory behavior.

WHAT MIGHT BE DONE?

At the Federal Level

1. A 21st century analog to Land Grant Acts designed to sustain the quality of flagship public universities during a period when state resources are dominated by the priorities of an aging population rather than investment in education. (For example, using revenue from the auctions of the digital spectrum, much like the sale of federal lands in the 19th century.)

2. A modification of those federal policies that preferentially advantage a particular element of the research university system (public or private) and enable predatory practices.

3. Incentives to states to explore restructuring public higher education to better enable institutions to serve both state and national needs during a period of limited state resources.

At the State Level

1. To launch major public awareness campaigns aimed at persuading voters about the importance of investing in higher education and stimulating efforts to restore funding adequate to sustain world-class public research universities while meeting the growing needs for post-secondary education as a key to economic prosperity and social well being.

2. To encourage experimentation in creating a more differentiated higher education structure that better aligns the balance between autonomy and accountability with the unique missions of research universities (a la Virginia).

3. To dramatically improve the quality of governance of public universities, streaming state regulation and constraints and improving the quality of those appointed to university governing boards.

At the Institution Level

1. Seek a cultural change in the predatory behavior of wealthy universities, throttling back the incentives for raids for faculty, students, and resources (e.g., discouraging deans from raiding faculty from less fortunate institutions with exorbitant offers and instead focus them on internal faculty development).

2. Encourage and enable flagship public research universities to develop and implement strategies to survive what could be a generation-long period of inadequate state support with their capacity, quality, and reputation intact.

3. (And if necessary to get private university leaders to the table…) Use the political clout of the public universities to seek a modification in federal tax policy that removes the current advantages benefiting wealthy private institutions (e.g., tax endowment earnings, require a litmus test of charitable contributions, more rigorously evaluate unrelated business income) (e.g., threaten nuclear retaliation if wealthy institutions continue their predatory practices…)