

DOCUMENT RESUME

ED 040 669

HE 001 575

AUTHOR Heywood, Stanley J.  
TITLE Possible Solutions for Financial Crises of the  
Public Sector of Higher Education.  
INSTITUTION American Association for Higher Education,  
Washington, D.C.  
PUB DATE 3 Mar 70  
NOTE 6p.; Paper presented at the 25th National Conference  
on Higher Education, Chicago, Illinois, March 3, 1970

FDRS PRICE EDRS Price MF-\$0.25 HC-\$0.40  
DESCRIPTORS \*Educational Finance, \*Federal Aid, Financial Needs,  
\*Financial Problems, \*Financial Support, Grants,  
\*Higher Education, State Aid

ABSTRACT

The financial problems in higher education are manifested by (1) growing competition for state money by other educational and non-educational institutions; (2) the disparity within states and among states in the quality and availability of higher education; (3) relatively low salaries for administrators and faculty; (4) inadequacy of physical facilities; and (5) the general lack of funds for research, financial aid, public service functions, and counselors. This crisis will probably be met by (1) increased state allocations; (2) increased tuition; (3) deferment of student costs until he is out of school; (4) specialized federal assistance both to the institutions and the students. There is general agreement on the following points: (1) students will have to have more money to go to college; (2) institutions are going to have to have more money; (3) it is in the national interest to maintain financially and educationally viable private colleges and universities; and (4) students should have as free a choice as possible with respect to their choice of college. It will be necessary to establish a system of federally subsidized support for higher education. This could mean a Civilian Bill for Higher Education which entitles all college attendees who qualify a fixed amount of money for each month in college. (AF)

Group 26  
Tuesday Morning, March 3

U.S. DEPARTMENT OF HEALTH, EDUCATION  
& WELFARE  
OFFICE OF EDUCATION  
THIS DOCUMENT HAS BEEN REPRODUCED  
EXACTLY AS RECEIVED FROM THE PERSON OR  
ORGANIZATION ORIGINATING IT. POINTS OF  
VIEW OR OPINIONS STATED DO NOT NECES-  
SARILY REPRESENT OFFICIAL OFFICE OF EDU-  
CATION POSITION OR POLICY

POSSIBLE SOLUTIONS FOR FINANCIAL CRISES OF  
THE PUBLIC SECTOR OF HIGHER EDUCATION

Stanley J. Heywood  
President  
Eastern Montana College

The financing of all higher education is at a critical stage and the problem in the public sector is no exception.

Before posing some solutions, the dimensions of the problem should be sketched briefly:

1. State Legislatures are facing resistance to taxes and Education is commonly the largest single item in the general budget of a state. There is growing competition from health, welfare, corrective institutions, public safety and highways for the state tax dollar. While in many states attempts have been made to avoid competition between elementary and secondary education, on the one hand, and higher education on the other, these are, in fact, in competition for these dollars as are community colleges and state colleges and universities. One must not, in addition, discount the reaction of the general taxpayer to the changes in the "control" procedures exercised by higher education over student lives and the resultant attempts at financial retaliation.
2. Operational budgets have been a long way behind requests from institutions, even when these requests were based on formulae that did not allow for extended "wish" budgets.
3. Some states make a much larger per capita contribution to higher education than others but this, of itself, does not determine the quality of higher education. Because of enormous population differences in numbers and homogeneity, the distribution of higher education institutions in a particular state, and other factors, there are still wide disparities in availability of higher education in institutional support, and in the quality of instruction and facilities provided across the nation to those attending higher education institutions.
4. For years of training and significance of position, the salaries of both administrators and faculty are lower than salaries for positions of comparable responsibility in business and the demand has far exceeded the supply, although a significant change in faculty supply has become evident this year.

It might also be said that in most states the salary afforded the President is not sufficiently greater for additional responsibility and time to make this a greatly coveted position by the best qualified in the nation. While there appears to be an increase in supply of faculty in many fields, the opening of new senior institutions, the opening of more community colleges, and the desire to improve both the degree credentials and the quality of existing faculty will for years to come necessitate close competitive bidding. The development of

\*Paper presented to Discussion Group 26 at the 25th National Conference on Higher Education, sponsored by the American Association for Higher Education, Chicago, Tuesday, March 3, 1970. Permission to quote restricted.

EDO 40669

HE 001 575

new types of degrees such as the Doctor of Arts, as recommended by Alden Dunham in his book on the State Colleges, "Colleges of the Forgotten Americans," will constitute a better source of innovative teaching faculty, unfettered by the extreme specialization which characterizes so many advanced graduate programs, but it will be many years before this constitutes any solution to the 'quantity' of faculty available, even if the prejudices of the Ph.D. degree granting institutions and the Ph.D. employing institutions may be moderated.

5. Higher education facilities have not kept up with the burgeoned enrollments of the past several decades, as far as state allocations have been concerned, and allocations for matching money from the federal treasury have declined in the name of fighting inflation and the exigencies of the Vietnam War.
6. Capital outlay funds for physical facilities and equipment are well behind needs.
7. Money for research adding to knowledge, as a state allocation, is minimal in most public institutions; major research oriented public institutions would be unable to maintain their work and contributions without federal funding, which is most inconsistent to say the least. Major cutbacks in federal funding for research put greater pressure on state budgets or result in elimination of programs. Another area of research which is important to every public institution is research relating to the improvement of instruction and funds for this, at a time of great curricular innovation, are minimal in those states allowing such expenditures, and non-existent in many states.
8. Federal categorical and project grant support rarely occurs without some institutional commitments and such support may create imbalances and distort institutional priorities.
9. Colleges are called on for more and more public service which, in many cases, must be refused because of insufficient funding.
10. Scholarships and grants in aid of various types lag far behind needs.
11. Funds for counseling with particular emphasis on minority groups show an appalling discrepancy in most public institutions between the actual number of counselors and the recommended counselor-student ratio.
12. The cost of doing education has gone up through inflation and rising expectations in almost every area of operation.

It must also be added that no short-term examination of a public higher education system, no single statistic reflecting expenditures, no ranking of comparative support, will reflect of itself, alone, the condition of higher education in a state. A particular system must be examined in depth to determine whether it is doing the qualitative and quantitative job that society needs, and, in some cases, desires or even demands.

Solutions to the financial crises may be looked upon as falling into six categories: (1) increased state allocations; (2) increased tuition and fees; (3) deferred costs; (4) increased specialized assistance from the Federal Government; (5) general assistance from the Federal Government to all accredited higher education on a formula based on enrollments, through block grants, through revenue sharing to the states; and, (6) assistance from private agencies.

Predictions are always dangerous but I think it is necessary in this area to propose some educated guesses.

I predict that there will be (1) increased state allocations but they will be insufficient to carry the total burden of universal public elementary and secondary education, followed by universal access to public higher education. I predict that there will be (2) increased tuition as students continue to bear a heavy share of the cost of higher education; but the extent of the increase in public institutions will be limited by the public outcry of the students and their parents, and it should be limited by the effect it will have on students and their parents in considering college attendance worthwhile or possible. This complex society requires a population educated to cope with its problems, human and physical. I predict that there will be (3) some more attempts to defer the student's cost of higher education by payment to private and governmental sources at a later date by the individual, when he is in a better financial position, but I think we must distinguish here between the value of higher education to the individual and its value to the country, and, I believe, these deferment attempts will be minimal and will not be considered in character with our faith in education as a means of developing the nation. I predict that, following the anti-inflationary drive and the unfortunate Vietnam period, there will be (4) a return to concern with the improvement of domestic conditions and that there will be further specialized assistance to higher education from the Federal Government, but that this will not solve the crisis outlined. I therefore predict that (5) a program of general assistance from the Federal Government to higher education students, as well as general assistance to higher education institutions, through direct or indirect grants, will be developed, that there will be a reconciling of various proposals, and that action will occur about the middle of the decade.

The Carnegie Commission on the Future of Higher Education, of which I am a member, published a paper by Howard Bowen "as a constructive contribution to the "current discussion of the federal role in the financing of higher education,"\* In this paper, President Bowen proposed a plan for higher educational finance based on what he saw as four fundamentals of "a fairly settled national policy:"\*\*

1. That the United States should maintain an excellent system of higher education affording rich opportunities for the personal and vocational development of its young people, and giving high priority to the advancement and dissemination of learning.
2. That this system should be diversified as to program to meet the needs of various categories of students and various regions, that it should be diversified as to control to include both private and public institutions, that the institutions should individually be accorded a maximum of autonomy, and that sources of support for higher education should be diversified as to source so that no interest group dominate higher education.
3. That higher education in the United States should be open to all, that no person should be deprived by financial barriers or by barriers of race, national origin, religion, place of residence, or background of the opportunity for whatever higher education is within his capacity.

\*Foreword by Clark Kerr in Howard R. Bowen, The Finance of Higher Education. Carnegie Commission, Berkeley, California, 1968.

\*\*Op. cit., p. 2-3.

4. That students should have free choice of educational programs and institutions within the limits of their qualifications, and that certain programs or certain institutions -- whether private or public -- should not be set apart for particular socio-economic classes.

The plan is in three parts;\*\*\* (1) students would be financed partly by grants based on the difference between a minimal college-going budget and the financial ability of parents and students, as determined by a means test. These grants would be available to all bona fide students from the freshman year to the Ph.D. on a showing of need. (2) In addition, students would have access to loans, without a means test, to take care of "extras" over and above the minima provided in the grants or the amounts supplied by parents. Both grants and loans would be provided through federal programs but might be administered by the colleges and universities. (3) Institutions would receive unrestricted grants by which the Federal Government would share in future increases in cost per student and in numbers of students.

Bowen does a masterful job of outlining the true cost to a student of going to college involving both direct cash outlays and general economic cost, stressing that students still "bear the bulk of the costs of higher education." He points out the increasing costs to institutions, which I have already dealt with in general terms, and he discusses the tuition question with special reference to the public-private sectors of higher education. Whether you agree with the particular solution that Bowen provides for the future financing of higher education, there are certain commonalities in this and any other rational proposals that will finance American Higher Education adequately in the years ahead.

The common points are (1) students are going to have to have more money with which to attend college, and I think that we should say, also, "in the manner to which they are accustomed." By this I don't mean that they should expect to be subsidized to live "on the Gold Coast" but they are going to expect cars, decent living and working conditions, and decent food, including even a steak once in a while! Their expectations for college attendance have changed and the struggling student may still be with us but he is struggling at a different level and for different purposes than he was twenty-five years ago. (2) Institutions are going to have to have more money and, while some of this may come from the individual states in varying amounts, the main source of general institutional funds is the federal government. (3) It is in the national interest to maintain financially and educationally viable private colleges and universities so that there will be a cessation of the decreasing tendency to attend private higher education. (4) Students should have as free a choice as possible as to where they elect to go for higher education. I say "as free as possible" because there are some very subtle and some not so subtle factors operating besides financial in determining which particular institutions students attend. Admission standards, whether based on academic requirements or enrollment quotas, help determine where students will enroll. If students are not admitted to the institutions they wish to enroll in, do they, in fact, have freedom of choice? Just as in marriage proximity is still the major factor, and the recent examples of taking colleges to the students within the cities, instead of expecting them to journey across town, illustrate the continuing validity of the fact that, in American higher education, putting colleges near students increases the percentage in that county attending higher education.

---

\*\*\*Op. cit., p. 35.

While federal grants to students based on a means test may be a way of initiating federal participation in the support of those who are finding the cost of college attendance too high, I see this as only an interim phase. Before such a plan is put into effect, we are already getting a strong reaction from the middle and high income parents, whose students are likely to elect to go to the expensive prestigious institutions, saying that they are feeling the pinch of sending their sons and daughters through college, and they wish that their sons and daughters might qualify for grants-in-aid as do so and so's in the next block, whose father doesn't earn so much or who has a larger family. Some individuals may even go on to say, "I am tired of subsidizing minority groups to go to college, and then to destroy the American Way of Life I have done so much to develop when my (establishment) sons and daughters "can't get any help from Uncle Sam." That is another story!

Ultimately, I believe that any federal system is going to have to be based on the fact that attendance at an institution of higher education in the United States is the right of every qualified red-blooded and blue-blooded son and daughter and that each has the same right to participate in grants-in-aid from the federal government, although at varying levels.

Thus, it seems to me that a federally participating system of supporting higher education must be established. If we can have free public schools for all, we can certainly have subsidized higher education for all who can benefit, as well as general operating support for the institutions which provide the education, and this money can be developed directly through tax sources, plus increased private support. The Student Life Indenture Plan, where the money is paid back through the income tax, hardly qualifies as a relevant national contribution.

I propose that since education benefits the whole nation, and not just those who attend, all college attendees who qualify should be entitled to a fixed amount of money for each month in college. This would put them on a basis equivalent to that of the student veterans. It would be financed through the general income tax or through a special percentage deduction and all students who attended higher education institutions would be entitled to a minimum sum per month from which they would pay all their educational costs. This is, of course, the Civilian Bill for Higher Education or an equivalent of the G.I. Bill for World War II Veterans. I do not propose that everyone gets the same amount, but rather than everyone gets a minimal amount, and that those with greatest need get the largest amount. I envisage no pay back through the income tax specifically for higher education but I also predict that the amount of income tax paid will be returned through the general taxing sources and assistance to higher education will be a good investment for our nation, economically as well as qualitatively.

Let us not only owe bonuses and special programs to our veterans, however much they deserve them, but let us show our young people how they can contribute to society in other ways than being in the armed services. I share Father Hesburgh's enthusiasm for a program of national service and I'd even wager that in the long run our young people could do as much, and even more, for our nation's security and for the world, out of uniform than in uniform. I also believe, from talking to college students, that they would understand such obligatory service.

Accompanying this assistance to students must be a matching formula for both operating expenses and facilities. The Higher Education Facilities Act projections provide an example of how such general assistance may be provided throughout the nation to public and private institutions. May I say, however, that this cannot be

Group 26

Tuesday Morning, March 3

6

started with a great flourish, plans made on the basis of it, and then the program diluted. The Executive Branch does not seem interested in continuing HEFA but I have yet to see an adequate substitute proposed.

May I carry you back for a moment to the time when it was said that this nation couldn't possibly provide a universal secondary education for all. In this case, we are only asking for universal access for all and support for all who can benefit from some form of post-secondary education. I believe that we can do it and that the nation will support it.

Somerset Maugham said, "Money is like a sixth sense without which you cannot make a complete use of the other five" and adequate money for public institutions is the sixth sense whereby we can make complete use of what we have to offer. Only a national approach to it will give us that sixth sense in higher education.