

DOCUMENT RESUME

ED 202 387

HB 013 903

TITLE The Relationship of the State Coordinating Agency with the Executive and Legislative Divisions of State Government in Meeting Budget Needs of Higher Education Systems. Proceedings of Ten-State Regional Conference (Oklahoma City, Oklahoma, December 1976).

INSTITUTION Education Commission of the States, Denver, Colo. Inservice Education Program.; Oklahoma State Regents for Higher Education, Oklahoma City.; State Higher Education Executive Officers Association.

SPONS AGENCY Kellogg Foundation, Battle Creek, Mich.

REPORT NO IEP-911

PUB DATE Dec 76

NOTE 25p.

EDRS PRICE MF01/PC01 Plus Postage.

DESCRIPTORS *Accountability; Agency Cooperation; Budgeting; Decision Making; Educational Assessment; Educational Finance; Educational Trends; *Government School Relationship; *Higher Education; Needs Assessment; Power Structure; *Program Budgeting; Public Policy; *Resource Allocation; State Agencies; State Boards of Education; *State Government; Statewide Planning

IDENTIFIERS Oklahoma; *Seminars for State Leaders Postsec Ed (ECS SHEEO)

ABSTRACT

Proceedings of a 10-state 1976 regional conference on the relationship of the state coordinating agency with the executive and legislative divisions of state government in meeting budget needs for higher education systems are presented as part of an inservice education program. The participating states were Arkansas, Colorado, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. A speech by Oklahoma's governor David L. Boren addresses the state's funding of education, the need to address the oversupply of teachers, and the potential role that higher education can play in helping to solve community problems. In "The New Game," Richard M. Millard considers changing conditions and their impact on postsecondary educational systems and state government. These trends include declining college enrollments and efforts to develop new student clienteles, the oversupply of college graduates, financial problems, the demand for accountability by the public and state government, the creation or independent fiscal and performance auditing agencies, and a trend to move higher education decision-making directly into the executive and/or legislative branches of state government. In "Educational Program Budgeting in Oklahoma" Edward J. Coyle and Dan S. Hobbs outline the principles, procedures, and processes utilized by the state in the development of institutional needs for educational and general funds. A speech by M. Olin Cook outlines principles that should be assessed when a state creates a coordinating agency to work with the state executive and legislative divisions in meeting budget needs for higher education systems. (SW)

ED202387

PROCEEDINGS Of TEN-STATE REGIONAL CONFERENCE

The Relationship of the State
Coordinating Agency with the
Executive and Legislative Divisions
of State Government
in Meeting Budget Needs
for Higher Education Systems

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December 2-3, 1976

Skirvin Hotel
Oklahoma City, Oklahoma

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Cosponsored by

Oklahoma State Regents For Higher Education

and the Education Commission of the States / State Higher Education Executive Officers

Inservice Education Program (with primary support from the W. K. Kellogg Foundation)

FOREWORD

The Education Commission of the States is operating a program designed to provide inservice training for members of coordinating boards and their staffs as well as for legislators and governors, all of whom have responsibility for the planning and the development of higher education systems in the various states. The Kellogg Foundation provides primary funding for the program.

A planning board composed of members of the State Higher Education Executive Officers Association and other leading administrators advises and assists the Postsecondary Education Department of the Education Commission of the States in planning and implementing the project. Programming activities include the conduct of seminars on a nationwide basis as well as for groups of states regionally and for individual states.

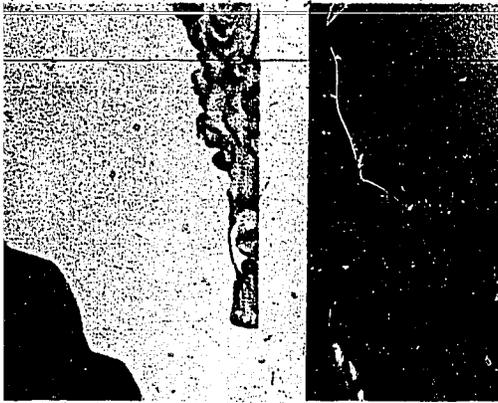
A ten-state seminar involving Arkansas, Colorado, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas was held in Oklahoma City on December 2 - 3, 1976, and was hosted by the Oklahoma State Regents for Higher Education. The theme of the seminar was "The Relationship of the State Coordinating Agency with the Executive and Legislative Divisions of State Government in Meeting Budget Needs for Higher Education Systems."

The proceedings of the seminar have been published in booklet form and are being distributed to all participants of the seminar as well as to others interested in the project. It is hoped that results of the seminar will be useful to policymakers in the field of higher education finance.

Chancellor E. T. Dunlap
Oklahoma State Regents for Higher Education
Chairman, Inservice Education Planning Board

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Remarks

By

The Honorable David L. Boren Governor Of Oklahoma

I am delighted to have this chance to talk with a group of legislators, educators, educational administrators and regents. I think it's a wonderful thing for this group to come together to share experiences and ideas, and I certainly feel at home in this group. As was mentioned, I was a faculty member in higher education before I became Governor. In fact, I am a tenured faculty member on leave of absence, I am happy to say.

Shortly after I became Governor, the trustees of the university where I was teaching took a look at the job I was doing as Governor and decided I might need a job at the end of four years, so they left a place open for me. I really appreciate that. Also there are a number of people that have strong feelings about my participation in education. In fact, the longer that I serve as Governor, the more people there are (and it really warms my heart) who suggest in a very insistent manner that it is time for me to return to higher education. I miss the experience of the classroom. There are mornings in the Governor's office when I think that I would rather be back in the classroom and I think, "What's a nice fellow like me doing in a place like this?" I do miss it and I am delighted to welcome you here for this conference.

In the 1976 fall semester, we had 127,500 students in our State System of Higher Education. We have 27 colleges and universities and, for a state of our size and population, this certainly represents a tremendous commitment on the part of our people and our leaders to try to bring state-supported higher educational opportunity to the people. We have over 6,000 full-time faculty members in our institutions, and over 1,500 part-time faculty. We are offering something over 1,700 different educational programs and our educational plant is now valued at about \$350 million. We rank near the top of the states in the percentage of our young people going on to higher education and, certainly among the top of the states in the percentage of the students that we are serving through state-supported higher

education. We are making a tremendous effort and I am very pleased.

We recognize that for a long time we have been behind in the amount of money that we would like to be spending per student in higher education in Oklahoma. Trying to reach that many students through that many institutions dilutes an educational dollar and makes it all the more important that we have adequate support. But we have, in the past two years, made progress. According to the Chronicle of Higher Education, Oklahoma has ranked fourth in the nation for two years in a row in the percentage of increase of state support for higher education. Having seen sometimes double-digit numbers describing our ranking, this is good news indeed, that we rank fourth in the nation. We have increased our appropriations significantly. We have had a 44 percent increase in state funding for higher education in Oklahoma over a two year period, as compared with 24 percent as the national average. The Chronicle says at least 10 states, and this is a very sad statistic, have fallen behind when inflation is considered, having smaller appropriations for higher education over the past two years than they had entering the period.

I'm very pleased to report that in Oklahoma, considering enrollment increases and inflation over the past two years, we have gained on inflation. In terms of real dollars, our educational program has had an increase of 24 percent, far outstripping inflation. We feel that we have made some great strides. We're going to do our best to continue to have increases in funding that will enable us to stay ahead of inflation and to make real gains in terms of educational programs.

In Oklahoma we now face some of the challenges common to other systems of higher education across the country. For years, we have had to concentrate on trying to bring a higher educational opportunity to every young person who wanted it.

Now we are in a situation in which we have largely done that job and done it very well. Much of the credit for the accomplishment should go to our Chancellor, Dr. E. T. Dunlap, because he has provided the leadership necessary to meet the tremendous challenge of enrollment growth in the 1960's and early 1970's.

Now we face another challenge, to bring the highest possible quality of educational programs to our people, to reach out in areas where we have a solid foundation, to build for excellence. I don't need to tell you that this is a very difficult task, one that puts a tremendous burden on a Chancellor or a chief executive officer in higher education and the Board of Regents or the coordinating board for a state system. In developing budgeting, our Chancellor has been one of the leaders in the nation. Devising and implementing a system that recognizes program budgeting needs certainly requires a great deal of political courage. It's much easier to give an equal amount of money per student to all educational institutions than it is to assess excellence and worth, and set some priorities for the development of certain educational programs. Whenever you do that, you have to make some judgments among institutions, citing certain programs in certain institutions as areas where excellence can be achieved because they have a head start. We have to build on those kinds of programs and this means, of course, disappointing some within the higher educational system. It also means having to deal with those who represent those constituencies in the legislature and in other places where political pressures are brought to bear.

And so in Oklahoma, having gone through a period of time in which we have reached out for numbers to bring educational opportunity to all, we are now entering a very critical period of time. I am happy we have come to this point at which we are having, in essence, to pick and choose, to set priorities, to reach for areas of excellence in certain institutions and in certain program areas. This requires teaching others why we need to do it. It means that the institutional governing boards have to be very broad in their view of the state's interest, that they cannot be parochial, that they cannot see themselves entirely as representatives of particular institutions. And it means that there must be a leadership that has the ability to communicate with members of the legislature and others about the total needs of the state.

Because it is the system of higher education that really sets the tone of where a state is going, I think

it is a responsibility of a system of higher education to try to determine what perspectives are needed, and this might not be a matter necessarily of narrow professional training, and to try to develop those programs in higher education. Since none of us have the dollars that we would like to have, we need to look at how well higher education is meeting the needs of the state.

We have a new Education Council in Oklahoma on which we have representation from the Legislature, the chairmen of the committees on higher and common education, the Chancellor of Higher Education, the vo-tech and common education leadership, three lay citizens, and the Governor. We try to look at the overall needs of the educational community in the state of Oklahoma, trying to draw all of these programs together.

One of the things we notice, for example, is that we are turning out in Oklahoma more teachers than we can absorb because of the great size of our teacher education programs. We have had excellent programs in teacher education in the past but now are turning out far more teachers than we can absorb. I think this represents an opportunity, in some respect, because it means that we can raise the standards and be more selective about those who enter the teaching profession. I think this is one of the responsibilities of higher education. We have been very selective about those that we allowed to enter nursing, or medicine or law, but we've not always set very high academic standards for those who wanted to go into teaching. But I don't need to tell any of you the practical problems that we confront at the same time. When there are departments that can justify their being only as student enrollments remain large or face retrenchment, to become more selective in student admissions means reducing the numbers. No faculty, no department of any college or institution of higher education wants to volunteer itself to be the first one retrenched by reordering the admissions process for those who go into that particular field.

We have to find new ways of approaching the problem. For example, we found that one of the greatest needs in our public school system in Oklahoma was the need for advanced training and inservice training for those who are in the classroom now. They need constantly to be able to upgrade their skills as teachers. There needs to be more specialized training for some of our teachers in the common school system with emphasis on programs, for example, that help young people learn to read. Where can the expertise be found to

provide inservice training at the elementary and secondary level that is so badly needed? It could come from the universities, by the shifting of resources. Higher education needs to be adaptable to the changing needs and must be, so we can utilize the people we have, without suffering painful retrenchments in the sizes of faculties. Rather, we can simply reorder priorities somewhat, using our professors of education and their skills to go into the common and secondary education systems to provide some of the vital inservice training and upgrading of present faculties and staffs there. This approach would cause no real economic dislocation, keeping the higher education service and skills intact, and yet provide a service that more directly meets the actual needs of the total educational system in our state at this time.

These are the creative ways that I think we need to look at stretching our educational resources, finding ways around difficult adjustments, using our skilled people, not putting them out of work, and yet meeting the needs of the people.

These are the kinds of things that all of us are going to be called upon to look at with greater intensity as the dollars become harder and harder to obtain. We must find new programs that will provide excellence at low cost. One of the programs that we have been working on in Oklahoma that I am very excited about is the Scholar Leadership Program. Because we do not have huge private endowments, we realize that our state supported higher education has a difficult time competing with the nation's outstanding private institutions that have hundreds of millions of dollars in private endowments that can attract the Nobel prize winners to become permanent members of the faculty, and be able to pay them a hundred thousand dollars (or more) a year. We can't do that in state supported institutions, but we can bring these people to our campuses for brief periods to give our students a first-hand experience with the greatest minds of the country. By using our financial resources in this way, we can pay rather good stipends for a week or a two week period. So we have begun to do this. The Scholar Leadership Enrichment Program which is centered at the University of Oklahoma, attracts the brightest and best of our students in their junior and senior years. These students enroll in a seminar course led by a local faculty member. To this seminar come six or seven of the finest minds in the country in an interdisciplinary program. The students do their reading ahead of time, led by the local faculty member, so that when the visiting lecturer comes, they are already prepared to get the most from

what that person has to say in the classroom. And through our Talkback Television system, we have taken these small seminar appearances to leadership groups also enrolled in seminars in our other institutions of higher education across the state. Those students, through the medium of television, have the same kind of experience of being able to ask questions and sit in on what becomes a small and intimate seminar situation with outstanding scholars. Then of course, they are also available for lectures and enrichment to the general community. This is just one of the ways in which we are trying to stretch the education dollar in Oklahoma.

And I think, after all, that is the duty of a system of higher education. Just because we are a state system gives us no excuse to fail to challenge the best minds that come into our state supported institutions. I think it is possible for use, though maybe not in every single way, to duplicate the educational experience of the very heavily endowed private institutions. Through new and innovative approaches we can come very close to providing the same degree of intellectual challenge and stimulation, if we will just do so. But it does require leadership of the chief executive officers in higher education and of the members of the state coordinating board who are sensitive to the fact that we are doing a disservice if we do not identify in our higher educational institutions programs for excellence, programs that will challenge the best and brightest of our students, and find new ways of bringing in the best minds in the country to allow students to have experience with them.

It can be done but it requires the leadership of the coordinating board and it requires a willingness to communicate to the public why it is important to them, what it means to the future leadership of a state or a community.

That is another of the responsibilities of higher education -- to provide the intellectual challenge and stimulation that will create the kind of far-sighted leadership that a state is going to need in the future. I think if there is any area in which we have perhaps fallen down in higher education, not only in the public sector but in the private sector as well in this country, it has been our failure to bring our talents to bear as fully as they should on the public problems of the time. It is really a problem of translation and very often unfortunately, the higher educational community has been somewhat divorced from the day to day decisions of those who are in policy-making positions.

Utilizing the knowledge that a faculty member has in making a decision in a community, whether it's at the city council, the local school board, the state legislature, wherever it may happen to be, is really a job of translation. People talk very often about the ivory tower, the lack of practicality of those in the academic community. When we use those terms, what we're really saying is that some kind of gulf has developed and somehow we must bridge that gap. The greatest need of our age is to bring to bear in the community that perspective, that knowledge, that judgment, which can be found in the academic communities in the country. It's very frustrating for faculty members to have the patience and take the time to translate a concept they understand into language that the lay person can grasp and utilize to make a decision. But that job of translation is our greatest challenge, frustrating as it is, hard as it is; that is what we must be about. If we're going to have the kind of financial support that our institutions of higher education need and deserve, we must constantly do a better job of translating our knowledge into a useful form that can be brought to bear in making decisions.

One of the things that we're going to work on very hard this year in Oklahoma is to bring our institutions of higher education more directly into policy-making. Very often we stumble through problems in the state legislature; we make important decisions for the future of the state without really knowing what we're doing and without calling upon the expertise that's available in our own institutions of higher education. I served for four years on a committee of the legislature dealing with the environment and I remember that we spent two years debating a bill that would have banned phosphates in detergents of certain kinds. We sat around and talked to each other. There was not a single scientist on the committee, not one person who really knew what a phosphate was. This was the level of our expertise. Not once did any of us think of calling on some of the experts who were available at our own universities, people who could have come in and given us professional, unbiased testimony as to what might be best in making a decision of this kind.

We have done a little better recently on some of the changes that we're making in our correctional system. We've undergone massive changes in Oklahoma, but even there, I would say candidly, that we've not called upon the expertise available in our own universities, some of those who have been breaking new ground in the field of human psychology. These people need to be called upon

and utilized. The more that we can bring to bear the knowledge and the skill of our faculties of higher education in solving the problems and making the decisions for our society, the better informed our decisions will be and the better directed our efforts and resources will be.

And, I would suspect, at the same time, the more commitment we will see to higher education itself. A legislator, who has the experience of having a faculty member sit on a committee more or less as a volunteer or part-time staff resource to the committee, quickly learns to appreciate how much skill and knowledge the product of our higher educational institutions is worth to him or to her as a policy-maker. And this is badly, badly needed.

I see another development in our society and it's one that disturbs me greatly. It is what I call the breakdown of the sense of community in this country. Go back and look at the beginnings of our political system. There are embodied in our political system two very divergent and contradictory concepts. First, in forming our government, in drafting the Constitution, and in writing our Bill of Rights, the founders of this country expressed a belief in certain inalienable natural rights of the individual. Americans believe that no one, for example, should be denied the right of free speech or property fairly acquired or the right to free worship. If you ask Americans, "Do you believe in inalienable, individual rights that government cannot change?", the average American would say, "Yes, I do. These rights pre-exist, they pre-date government."

On the other hand, we profess a belief in another principle, the principle of majority rule, that it is the majority that should decide all questions in our political system. Of course, the problem is, who decides when the individual's rights have been trampled upon? Is it the majority? If we leave it strictly to the majority to decide when the rights of the minority have not been protected, there will be no real protection for the minority. So, these two principles have been in conflict, in tension, since the very beginning of our society: the principle that not even a majority has the right to take away certain things from the individual and the principle of majority rule itself. I think that is one of the reasons why the Supreme Court has been such a controversial institution in our society. It has tried to bridge the gap between our belief in the rights of the individual, no matter how unpopular that individual might happen to be, the right to speak freely for a very unpopular cause, for example, and our devotion to the principle of majority rule. Into that gap has come the Supreme Court.

It is remarkable that as inconsistent as these two beliefs are, our society has stayed together so well, has worked so harmoniously. How few of us are really aware that there is a basic and innate contradiction—a stress—right at the center of our political fabric? Why? I would suggest that it's because the majority that has ruled this country from its beginnings as a nation has been a good majority, a sensitive majority, a majority that has said, "I may not agree with what you have said but I will defend to the death your right to say it." It has been a majority that has had a town hall meeting spirit—what Rousseau called the General Will—with people listening intently to each other and everyone sincerely trying to understand the other person's needs and point of view. It has been a majority that has voted with sensitivity, a majority that considered the common good over and above personal self-interest. That is what has held our country together and given it its driving force, the fact that so many Americans, in exercising their political powers as part of the majority, have done so, putting the common good first and their individual self-interest second.

In our society today I think we see a tendency toward the break-up of this spirit of community. In some respects it is falling apart. I can see it where I sit. We see it, for example, in those who come to government seeking services. People begin to have a feeling, that rather than having identity as a human being, as an American, or as a member of the community first, that "I am a farmer, I am a doctor, I am a policeman, I am a fireman, or a teacher." And once that kind of smaller group identity begins to take charge over the broader identity as a member of the total community, dangerous cycles begin to erupt. Soon the firemen are organizing, trying to get all they can, because the policemen organized to get all they could, because the teachers organized; because the factory workers organized, and so on and so on. Then we begin to try to make decisions from the point of view of balancing out the interests of groups, rather than coming together as one community motivated by the perspective of what's good for all of us.

That is the reason I said the great challenge of higher education today is the challenge of translation, not only of the knowledge but also of the perspective that the academic community can bring to all of us in the broader community. Where else can that higher perspective come from? Where can that understanding come from? Where does that empathy develop, that understanding of that person across the room, who is not at all like me, who doesn't belong to the same economic group or the same professional group or perhaps the same racial group, or is of a different sex, or a different station in life? It has to come from our system of higher education. Our system of higher education has been the greatest teacher of the value of tolerance of any institution in our society. What can bring us together and hold together this sense of community? It must be the leadership of higher education, the willingness of those who are involved in it to attend the town hall meeting, tolerate the frustrations of those who will have the patience to stay, translate and try to persuade and convince as to the right direction that society should go. The challenge that we have in a rapidly changing world is the challenge to be a full member of the community and yet to stand just enough apart to provide that independent perspective and independent judgment that is needed as an objective standard for the rest of the community to observe.

These are not easy times, changing as much as they are. They are times of specialization to the extent that many people understand each other even less than they did in the previous generation. Into this gap must come higher education. Into this gap must come executive officers and regents who understand why it is important to build programs for excellence, why it is important to find new and creative ways of using the resources that are already developed to interrelate with the total community. That's our job. And it's not an easy one. As I look around our state and see the people in leadership in higher education, I'm convinced that it is a job that can be done. Because I have great confidence in the quality of the leadership of higher education in this country, I have great confidence in our future.

The New Game

By
Richard M. Millard

Director
Postsecondary Education Department
Education Commission of the States

Few if any reasonably sophisticated persons in higher or postsecondary education or in state government would deny that we have moved and are moving into a considerably different period in the relations of state government to higher and postsecondary education than in the past. The situation might be described as a new ball game in which the conditions, the playing field, and the rules have shifted, but not all the players have recognized the shift or discovered the new rules. The only thing wrong with the analogy is that the stakes are considerably higher than in most ball games, for what is involved is the direction, characteristics and role not just of postsecondary education in the states and country but of education in general for at least the first quarter of our third century. It is perhaps not surprising that not all of the players are aware of the new rules for one striking characteristic of the new game is that the rules themselves are in a constant state of transition. Some of the factors that have brought about the new game can rather easily be traced.

However, before attempting to identify some of these factors, it is well to recall how critical a role the states in fact play in postsecondary education. In spite of what frequently appears to be the center of attention the federal government receives in relation to higher education, it is the states where the basic action takes place and from whence the major funding comes. Thus, for example, the total income of institutions of higher education in 1974-75 amounted to about 36 billion dollars (\$35.9 billion), six times as much as in 1960. Of this 36 billion dollars approximately one-fifth (\$7.2 billion) came from tuition. More than one-half (\$18.4 billion) came from government and of this half, two-thirds came from the states with the other third from the federal government. Of the total income to public institutions amounting to \$24.2 billion, one-eighth (\$3 billion) came from tuition

and slightly more than two-thirds (\$15.8 billion) came from government. Of this two-thirds, two-thirds (\$10.7 billion) came from the states, one-fourth (\$3.7 billion) came from the federal government and just under one-twelfth (\$1.3 billion) came from local governments. While the amount of public funds going into private institutions is considerably less (\$2.5 out of \$11.7 billion), one-fifth (\$462 million) of the government funds for private institutions came from the states and this does not include indirect aid such as tax exemption.¹ The states thus constitute the largest single source of funding for higher education in this country and have the largest investment in it.

This is not surprising since both constitutionally and historically, the primary responsibility for providing educational opportunities for citizens has rested with the states. It was the states that provided the major portion of the funding to enable higher education to meet the need for rapid expansion in the 1960's. During that decade enrollments increased 126 percent primarily at public institutions. Educational and general expenditures increased 207 percent. Over 400 new campuses were created by the states to meet the need. Today, the prospects for future enrollments are considerably different and yet the costs continue to escalate.

Looked at in this context, the question of dealing with state government particularly for public institutions has been and will continue to be of a somewhat different magnitude than that of dealing with the federal presence. Even for the private institutions, since it is the state that incorporates or charters them and authorizes them to operate, exempts them from taxes, and in 42 states provides them with direct or indirect financial aid, their relation to the states is considerably more than casual.

There can be little question that working with the states for institutions, trustees, and boards of higher or postsecondary education has become considerably more complicated over the last two decades than ever before. Many of the factors that have brought about the new ball game, while they have their roots earlier, have developed during the current decade and now bring about or call for new relations, new expectations, and new forms of interaction between institutions and boards on the one hand and state government—legislative and executive—on the other. What I would like to do is highlight some of these trends and the impact they have had and are having on postsecondary educational systems and state government and then try to suggest some of their implications for the changed game and its rules.

The first of these obviously is the changing student situation. We have already noted the tremendous expansion in enrollments in the sixties, expansion that has continued at a lesser rate and somewhat unevenly in different types of institutions to the present and may continue to. You are also aware of the demographic facts in relation to the traditional college age population—the 18 to 24 year olds. This group will decrease in the eighties and there is little evidence that it will increase in the nineties. Even the Carnegie projections that the next decade of substantial growth will be from 2,000 to 2,010 is at best speculative.² More specifically among the states represented at this conference or their neighbors all have experienced increases of 18 to 24 year olds from 1970 to 1976 ranging from 13.2 percent (Tennessee) to 23.3 percent (Texas). However, between 1976 and 1980, four of these states will experience declines ranging from 6 percent (Oklahoma) to 0.2 percent (Missouri) and all 10 states will experience further declines ranging from 2.8 percent (Louisiana) to 8.9 percent (Kansas) from 1980 to 1985. The average decline for the five years will be 5.8 percent, 1.7 percent above the national average.³

The predictions for future enrollment, while varying considerably depending upon the source, are not for further expansion but at best for holding about even assuming a shift in enrollment in most institutions to older students and at worst a radical decline. Added to the population change is the drop in number of high school graduates going on to college from 55 percent in 1968 to 48 percent in 1974 plus the fact that the proportion of high school graduates to total population instead of

continuing to increase as predicted in the sixties has not only levelled off but started to decline.

The colleges and universities are thus on the whole faced with prospects either of declining enrollments or developing new student clienteles, or more likely both at the same time. While there may indeed be a large group of older citizens at least potentially interested in further education, the assumption that they will compensate either for the declining 18 to 21 year olds or that they will, if they come, engender the same or increasing levels of state support are at least open to question. It is reasonably clear that they will not come in large numbers simply by opening the doors of traditional institutions to older students. The institutions that have had most success in involving older students are those that have been willing to make major changes in curriculum, services, and modes of instruction and to take education to the students rather than expecting the students to come to education. Further, some governors and legislators have taken the position that working older students should be willing to pay more of the costs of their additional education.

Along with this is considerable state and national concern with what appears to be overproduction of highly educated manpower not only among persons with doctorates but of college graduates in general, many of whom appear to be unable to find employment commensurate with their educational backgrounds. Joseph Froomkin in a report just released concludes:

"The more detailed analysis of the employment patterns of college graduates and persons with some postsecondary education fills one with pessimism about their job prospect...It is safe to conclude...that by 1985 roughly a third of college graduates will be in positions which were hitherto held by persons with less education...If they do, some two-thirds of persons with some postsecondary education, but no degrees, could find themselves in occupations formerly filled with high school graduates."⁴

Projections that less than 20 percent of the labor force need college degrees do not help and the "college, who needs it?" attitude is still growing and has had impact on both public and private funding sources including legislators. More than a few people at the state level argue that if additional public funds are to be spent for postsecondary education they should be invested in more clearly vocational and occupational areas rather than in general support for higher education.

To the student situation must be added the fiscal situation. Some of the private institutions were beginning to feel the pinch between inflation and escalating costs on the one hand and restricted sources of income on the other as early as the mid-sixties. By the early seventies legislators in some states were becoming alarmed at increasing costs and demands for funds for public institutions. This was complicated by the growing credibility gap between the public including governors and legislators and higher education, a gap growing out of student unrest and what was and still is perceived, whether correctly or not, to be less than efficient management of higher educational institutions. Since then, with recession and depression, the situation has become progressively more difficult. State budgets have been trimmed. In a few cases appropriations for higher education have actually been decreased. In most states the rate of increase for higher education has been reduced. While many of the states had sizeable surpluses three or four years ago, these in most cases have been wiped out or reduced and a few states have moved to deficit spending. Many states, including all of the states in this area, are constitutionally prohibited from deficit spending. A number of states and systems have had mandatory cutbacks in higher education budgets including Wisconsin, Michigan, New Jersey, the City University of New York, and the Pennsylvania State Colleges. It is true that some of the states in this area have fared better due to energy and agricultural production, but the assumption that even in states with major revenue increases more funds are likely to go into higher education may be gratuitous.

The picture is obviously further complicated by the fact that costs have escalated in all other government service areas as well and higher education has lost its priority status. Given the higher priorities in welfare, health energy, conservation, and highways, the hard fact seems to be that even with an upturn in the economy a likelihood in most states of major new funds for higher education is not great. Added to these other higher priority areas is the growing competition for funds within education between elementary-secondary education and postsecondary education. In some states this is already acute. Even though enrollments are dropping in elementary-secondary more rapidly than higher education public concern with a return to the basics and reform in elementary-secondary education, continued concern with school district equalization, and increased costs relating to federal programs such as

the new handicapped legislation tend in many quarters to give elementary-secondary education a higher priority than postsecondary education.

As the funds have become tighter and the priority for higher education has dropped, a third factor has become progressively more important; that is, the demand on the part of state government and the general public for greater accountability. This demand for increased accountability is also in part a byproduct of the period of student unrest and the credibility gap we mentioned earlier. Few people even within the higher education community would deny that institutions should in fact be accountable for the effective, even efficient, use of public funds and to a greater or lesser extent they always have been. The new emphasis upon accountability has, however, taken a number of different forms, some of which extend considerably beyond fiscal accounting for the use of funds. Among these have been development of management information systems, program budgeting, performance audit and program review. As the fiscal situation has tightened and decision making has become more difficult, institutions and state agencies as well as legislators have progressively come to recognize the need for more effective information systems and revisions in budgeting procedures. To some extent, working through organizations like the National Center for Higher Education Management Systems, the American Council on Education, and National Association of College and University Budget Officers, the institutions and state agencies have themselves taken the lead in developing instruments for more effective reporting and analysis.

A more recent development with far reaching implications has been the creation of independent legislative or executive auditing agencies not unlike the federal Government Accounting Office concerned not only with fiscal audit but also with performance audit—linking expenditures to outcome or results. Some 14 states have developed such agencies and others have it under consideration. While these have not been established primarily to audit higher education, higher education or some component of it frequently has been a primary concern, for unlike other areas of public service, it usually is not tied to mandatory funding formulas. This has become a matter of concern to institutions and state agencies for the state-of-the-art of performance audit is not very far along and the question of criteria to be used in such audits is critical. Far too frequently the prime

criterion is efficiency rather than educational effectiveness. But further, if educational effectiveness is to be measured, serious question can be raised as to whether or not non-educational governmental agencies are equipped to do so and, if they do, whether this does not weaken the integrity of the academic process.

A fourth factor not unrelated to accountability and the fiscal situation has been the tendency on the state level towards increased centralization not only in planning and coordination but in governance and structure of public higher education.

Statewide coordinating and governing boards are not new. The oldest goes back to 1784. The Kentucky and Oklahoma coordinating agencies were established in 1934 and 1941 respectively. However, the major period of their growth has occurred since 1960. In contrast to 23 in 1960, it one includes two state planning commissions executively established, all states have some form of state postsecondary or higher education agency today. They vary in power, structure, and composition. Some 20 are consolidated governing boards, some for senior institutions only, some for all public institutions. Thirty are coordinating boards with responsibilities varying from submitting consolidated budgets and review and approval of new and existing programs to boards with advisory planning responsibilities only. Many were created to provide for the orderly growth of public higher education and a number of them have responsibility as well for planning for independent as well as public higher education. They, like the institutions, are faced today with new issues growing out of fiscal stringency and possible contraction in higher education. Given to complexity of higher education such boards are not likely to go away and they do perform critically important functions in attempting to assure that the systems of postsecondary education in the states meet the public needs. They frequently are in a difficult position between the institutions and the executive and legislative branches of government. But they help insure that educational decisions are made within the educational community and, equally important, within the role and scope of institutions they help preserve the institutional independence essential to fulfilling their educational functions without direct political interference.

Today, due in part to fiscal stringency and desire or increased accountability and in part to reluctance of institutions and their boards to work cooperatively with such boards, the trend seems to

be towards further centralization. There is a tendency for legislators and governors to move towards what might be considered a simplistic answer to complex problems—to want to find a single agency or even person who can be held accountable for all public higher education. In the late sixties and early seventies three states with coordinating agencies replaced these with consolidated governing boards. Within this year, six states considered such moves, three to the extent of introducing legislation. While the legislation did not pass in any of the three states, the issue is on continuing agendas. A series of states are currently reviewing structures and the probability that any of these will move towards decentralized control is not very high.

Of even greater concern, however, is what may be a developing trend to move responsibility for higher education decisions directly into the executive and/or legislative branches of state government. With the growth of executive and legislative staffs where institutions do not work effectively with coordinating agencies the tendency is for executive and/or legislative branches of government to take over directly the major function of budget review, audit control and decision making for higher or postsecondary education or to create a cabinet post of secretary of education, politically appointed, with these responsibilities. In one neighboring state this year, the joint budget committee of the legislature abolished the budget review functions of the coordinating board and reserved these wholly to itself. In some cases it has been proposed that the planning functions be taken over by a general state or governor's planning agency where higher education is considered only one among competing state agencies seeking funds. The message seems to be clear. If institutions are not willing to work cooperatively with appropriate state postsecondary education agencies or the agencies are not able to exert the leadership to develop effective planning and program review, the executive and legislative offices of state government are prepared to move in to create more centralized and responsive agencies or to take over the functions of coordination, decision making, and control themselves.

A fifth factor has been the recognition at the state level as well as federally that public higher education, while an essential part, is only one part of the postsecondary education universe. It does not even comprise all of the public postsecondary vocational education. And yet the states are spending considerable amounts of money on public



postsecondary vocational education, sometimes in direct duplication of occupational programs in community colleges and even regional colleges and universities. Public higher education obviously does not include independent higher education or proprietary education. State concern particularly for preserving independent higher education is clearly evidenced in the 42 states which make some form of direct or indirect aid available to them. It has become clear that in planning and in considering the postsecondary education resources of the state, the full range of postsecondary education in the state is going to have to be taken into account from now on.

In many states there clearly are other factors such as collective bargaining that have changed or are changing the state-institutional environment in the current decade and that call for new methods of state-postsecondary institution and system interaction. While collective bargaining has not made major inroads in the states represented in this conference except for Iowa, yet, there is little reason to believe or assume it may not in the future, particularly as the financial situation becomes tighter. Where collective bargaining has made inroads it has not only changed intra-institutional modes of operation but in some states, e.g. New York, has led to negotiations of faculty bargaining units not with local or system administrators but with the Office of Employee Relations in the Governor's Office. In Iowa it very nearly went this same route, but was finally delegated to the Office of the Board of Regents. The implications of this for direct state involvement in the daily affairs of compuses are somewhat staggering. However, on a nationwide basis the five factors of the changing student situation, the fiscal situation, emphasis upon accountability, increased centralization, and the expanded universe of postsecondary education constitute a sufficiently striking set of conditions to call for reevaluation of the whole business of working effectively with the elected state executive and legislative officials.

Generalizations about states, governors, or legislators or how to deal with them are extraordinarily dangerous and the exceptions will probably outnumber the instances. But a few things can be noted. In the first place in most states higher education is not a high priority item. Even "education" governors and legislators have other frequently more pressing agendas. This does not mean that higher education is not a matter of concern. It is and it may be of more critical and intelligent concern than in the past. On the whole

the level of sophistication not only of governors and legislators but of their staffs has increased considerably in the last decade. Their questions tend to be much more incisive and the answers they expect-need to be much more concrete.

This means that some of the more traditional means of dealing with legislative and executive offices have at best limited effectiveness. Governors and legislators tend not to be interested simply in what a good thing higher education is. They want to know how? by whom? And for what? In the place of rhetoric they want facts—not raw data but analyzed information relevant to the point at issue. If there ever was a day in which a grateful governor and legislature received the requests of the presidents and the boards and left the money on the stump, it is clearly gone. Today, legislators and governors want a clear substantiation of need and then evidence that the funds appropriated to meet the need are spent for the purposes appropriated with indications of what has happened as a result.

While many legislators are not adverse to having tickets on the 50-yard line, they are far less likely to take them as reasons for increasing the institutions' or the systems' appropriations than in the past. Although some legislators will aid and abet end runs by institutions in their districts around a coordinating board or a governor's budget recommendations or the recommendations of other institutions in the system, they tend to have somewhat longer memories than in the past and to reflect this when moves to centralize arise which will protect them against such pressures. They are far less content than in the past to leave all information gathering and discussion of issues to formal hearings and prefer to be informed and consulted on a more continuing basis, particularly on critical issues. A number of them have developed their own information gathering and analysis staffs. Many of them are deeply concerned about the conflicting priorities for resources within the state and would like to see some evidence that educators are at least aware of these and in their planning take them into account. In relation to higher education specifically, they are looking for realistic analyses of needs and reasonable consideration of effective utilization of the full postsecondary education resources of the state to meet these needs. They no longer buy the assumption that any institution could or should be all things to all people and they are concerned about needless duplication but will listen to effective arguments for new programs to meet new needs.

Given the changed conditions and the partially changing interests and concerns of executives and legislators, what do these imply in relation to changing and means of working with legislative and executive branches of state government? What are the rules of the new game? It seems to me that at least some of the implications are rather clear and have already been indicated in the discussion of gubernatorial and legislative expectations. Perhaps the first implication and rule is the need for development of a directness and candor in dealing with the state political community that has not always characterized the higher education community in the past. This does not mean washing dirty linen in public but it does mean realistic assessment of needs in relation to goals and functions and developing indices of how or in what ways these goals and functions are being realized. It involves willingness to supply relevant information, developing appropriate information systems which will in fact produce the relevant information. It means using the budgeting process not as a means of obfuscation as has been done by some institutions in the past, nor as a shopping list of everything that would theroretically be desirable, but as an instrument to build the case for reasonable support. It is essential that an atmosphere of mutual trust be developed.

Second is the desirability of strengthening a continuous means of communication and consultation not only with the executive and his staff but with key members of the legislature and their staffs. Formal hearings are not adequate to explore the complex relations between states and post-secondary education. By the nature of the case they frequently tend to be adversarial in character. Through more continuous and informal discussions not only can the issues be more clearly identified but their ramifications explored.

Third, given the fiscal situation and the projected student situation, effective planning on a statewide basis as well as institutionally, including planning for possible retrenchment, becomes essential if we are to avoid the kind of cut throat competition not only between public and private institutions but among public institutions which can only be destructive and which neither state government nor the general public will support. This does involve setting goals and priorities, careful determination of role and scope, exploring means of inter-institutional cooperation, and doing so in the light of a thorough analysis of the postsecondary educational needs and resources of the state.

Further, this is the kind of task that cannot be performed by institutions separately. It requires cooperation, support and leadership by an effective state higher education coordinating or governing agency and not one—Mr. Kerr to the contrary—with advisory functions only. It must have at least the power, working with the institutions, to implement the planning process. Further, the political community not only should be kept informed but its advice sought in the process.

The fiscal situation already has called for retrenchment in some states and institutions and before they are through may well do so in others. In some cases this has taken the form of actual cutbacks, in others reduced increases. The initial reactions by some state agencies and institutions has been across the board cuts. As a temporary measure this may do, but if retrenchment is of longer duration more basic issues have to be faced, priorities established, effective means of review and decision making developed in which the institutions and their faculties need at least to be kept informed and hopefully fully involved. Planning for retrenchment is far more difficult than planning for expansion. Even if retrenchment has not taken place in your state at least standards should now be developed. Otherwise, if retrenchment becomes necessary, the impact on system morale plus administrative and governance confusion in a crisis approach are likely to take a heavy toll. Beforehand and not in the crisis is when criteria for consolidation and even elimination of what may have been considered critical programs or services need to be developed. If this is done, the end result may be leaner but strengthened operation as a result of the crisis rather than upheaval, even disaster.

Fourth, while neither the higher education community nor the board of higher education can be expected to determine the overall priorities in the state, they at least should be aware of these and through intergovernmental cooperation help contribute to their solutions. This does involve the development of a political sensitivity which has not always characterized the higher education community or some state higher education agencies in the past.

Fifth, it is critically important that the higher education community and particularly the state higher or postsecondary education agency be alert to concern with outcomes and performance audit

and work to insure that educational effectiveness as well as fiscal efficiency be taken into account. This at least requires cooperative exploration of the issues with the accounting agency. It may require, as in Wisconsin, legislative clarification of responsibility in relation to keeping judgments of academic effectiveness within the higher educational community. Within institutions as well as on a statewide basis provisions for more effective program review may need to be developed if only to insure that where retrenchment is necessary cuts are made in terms of priorities to preserve quality.

Finally, we need to recognize clearly that we are in the era of postsecondary education and that while states have a primary obligation to their public institutions, all of the institutions of the state are part of its total postsecondary education resources. We may well be moving into a period in which some institutions, both public and private, will disappear. Our concern should be that in the process we do not lose the diversity essential to meeting the needs of citizens for a variety of educational opportunities commensurate with their interests and needs and extending from skill preparation to graduate education and lifelong learning. This does call not only for planning and

awareness but for cooperation among all types of institutions in fulfilling their diverse educational functions.

The game has changed. The new rules are still evolving. There is little question but that the states as in the past will continue to be the major sources of support for postsecondary and higher education in this country. But the conditions are likely to be considerably more demanding from the standpoint of making an effective case that the postsecondary and higher educational institutions are meeting continuing and changing needs, that they are utilizing their resources effectively, and that the results of so doing can be not necessarily quantified, but documented. We are moving into what may be a more difficult period. But if the state higher education agencies working together with the institutions are willing to face the issues of priorities and work constructively with both the legislative and executive branches of state government, while there will be problems, they will not be insuperable and the end result is likely to be a leaner but healthier diverse system of postsecondary education in each state. To accomplish this, effectively working with the governor and legislature, establishing a community of understanding and reinforcement are essential—in fact are essential to survival.

1. American Council on Education, **A Fact Book on Higher Education, First Issue, 1976**, Washington, pp. 76.60 and 76.61.
2. Carnegie Foundation for the Advancement of Teaching, **The States and Higher Education**, Josey-Bass, San Francisco, 1976, p. 7.
3. American Council on Education, **A Fact Book on Higher Education, First Issue, 1976**, Washington, pp. 76.18 and 76.19.
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Educational Program Budgeting in Oklahoma

By

Edward J. Coyle and Dan S. Hobbs

Oklahoma State Regents for Higher Education

The Oklahoma State System of Higher Education is made up of 27 colleges and universities plus eight other constituent agencies whose functions are related to public higher education. These institutions and agencies currently enroll 127,536 students and will expend \$219,866,634 for educational and general purposes during 1976-77. This figure does not include \$37.7 million to be expended from sponsored research and other sponsored program funds.

Article XIII-A of the Oklahoma Constitution provides that the Oklahoma State Regents for Higher Education shall constitute a coordinating board of control for all State System institutions and agencies, whose specified powers include (a) the prescribing of standards of higher education for each institution, (b) the determination of functions and courses of study in each of the institutions to conform to the standards prescribed, (c) the granting of degrees and other forms of academic recognition for completion of prescribed courses, and (d) recommending to the Oklahoma Legislature the budget allocations to each institution.

Ideally, a state-level system to determine the budgetary needs of colleges and universities should meet three basic objectives. The system should provide for adequacy, equity, and accountability. Each institution or agency needs a budget allocation sufficient to carry out its assigned functions and programs. Likewise, institutions should have the perception that they have been treated fairly in comparison with other institutions. Thirdly, there must be a consensus on the part of the Legislature and the people that public funds are being wisely allocated and administered.

A state-level system for determining institutional needs should likewise possess some secondary characteristics, including the ability to respond to changing conditions, either up or down; the capability of being readily communicated to in-

stitutions and the public; and flexibility to provide for ease of administration at the campus level. Also, it is to be hoped that the data requirements to make the system run would not be so great as to outweigh its benefits in the form of analytical data to be used by administrators in the evaluation of institutional performance.

Development of Educational Program Budgeting

Some twenty-five years ago, Oklahoma pioneered in the development of a new "formula by budget function" system for presenting the needs of colleges and universities to the Oklahoma Legislature. That is, institutional needs were spelled out in terms of how many dollars were needed to pay for (1) administration, (2) general expense, (3) instruction and departmental research, (4) library, (5) organized activities, (6) organized research, (7) extension and public service, and (8) physical plant.

That system had many advantages, and served well during the relatively static days of the 1950's and early 1960's. However, it proved to be unresponsive to changing societal conditions in that it favored the small inefficient college over the growing, more efficient institution. Also, it was difficult of communication in dealing with the Oklahoma Legislature. It was therefore determined that a new system was needed to see institutions through the rapidly changing growth years of the late 1960's and 1970's.

The new "budgeting by educational program" system in Oklahoma is akin to, but not identical with, the system being developed by the NCHEMS organization. It is predicated on the assumption that all institutions carry out three primary functions or activities, namely (1) the transmission of higher knowledge (Instruction), (2) the development of new knowledge (Research) and (3) the extension of higher education programs and services to the public at large (Extension and Public Service).

For educational program budgeting purposes, the three primary categories of Instruction, Research and Extension are divided into sub-categories called programs, research programs, and extension programs. To this date, only the functional area of instruction has been developed systematically on a program-by-program basis. Next in the list of items to be accomplished is the functional area of extension, to be followed by research.

During the early 1960's the State Regents began to gather and store various kinds of statistical data in preparation for budgeting by educational program. These data included such items as student enrollment by level, instructional salaries of faculty, the cost of teaching individual courses and educational programs, and the like. There is now on file at the state level a decade or more of such historical data.

The new educational program budgeting system was first utilized on a trial basis with one institution some five years ago. The following year, 1973-74, the new system was used for three institutions representing three different institutional types. In 1974-75, the new system was generalized to include all institutions.

Although it is probably too early to assess the effectiveness of the new budget-needs system after only a three-year trial, few preliminary observations can be made at the current stage of development. First, state-level budgeting by educational program is superior to the old system of budgeting by educational function in that it is more responsive to changing conditions; it is more rational than the old system for the reason that it ties program approval directly to the budget-development process; and it is more readily communicated to the Legislature and the public than the previous system. It also spills out better analytical data for institutional use than the budget function method.

The limitations of the new system are that it requires a somewhat greater amount of data to run than did the older system, and the data outputs are not directly related to the way institutions budget at the campus level. It may therefore be concluded that budgeting by educational program is a more valuable state-level tool than an institutional tool at this point. Overall, however, the Oklahoma experience with educational program budgeting has been a salutary one.

The remainder of this paper will be devoted to a

detailed description of the principles, procedures and processes utilized by the Oklahoma State Regents for Higher Education in the development of institutional needs for educational and general funds by the educational program budgeting method.

Background

One of the responsibilities of the Oklahoma State Regents for Higher Education, as set out in Section 2, Article XIII-A of the Constitution of Oklahoma, is to "...recommend to the State Legislature the budget allocations for each institution." In discharging this constitutional responsibility, with respect to operating budget needs, the State regents prepare and submit to each Oklahoma legislature a recommendation for appropriation of funds for the institutions in The Oklahoma State System of Higher Education. The recommendation is developed and presented for each institution on a "Program Budget" basis which identifies each program worked by level in terms of full-time equivalent (FTE) students for each of the programs together with the anticipated dollar need per FTE for each of the levels for each program, the total needs for each program and the total needs for the educational programs of the institution.

Preparation of the budget needs entails considerable research and study on the part of the State Regents. In arriving at the needs of institutions, it is necessary to gather and consider information about such factors as functions and educational programs of institutions, the student enrollment of institutions, faculty and staff manpower requirements, faculty salaries, and the like. Also, the State Regents conduct study sessions with presidents of colleges and universities in the State System to obtain their views as to the needs of their respective institutions.

Criteria

In order to assist the State Regents in applying the results of their research and study to accomplish their constitutional and statutory responsibilities, they adopt Guiding Principles and steps of Procedures. While these may be modified from time to time to accommodate changing policies, they provide reliable reference points for understanding the program budgeting system and for evaluating the performance of the system. For the fiscal year 1977-78 principles and procedures have been adopted as follows.

Guiding Principles

1. Oklahoma should support the educational programs of institutions in the State System at such level that will provide high-quality educational performance.

2. Each institution in the State System should carry out three broad areas of educational program responsibility: (a) instruction, (b) research, and (c) public service.

3. The budget needs of each institution should be determined on the basis of educational program costs including the three categories above projected for the budget year.

4. The instructional program costs should include: (a) resident instruction, (b) organized activities related to instruction, (c) library, (d) general administration, (e) general expense, and (f) operation and maintenance of the physical plant. Budget needs for organized research and extension and public service should be computed separately from instructional costs.

5. Primary factors that should be recognized in determining the instructional part of the budget needs should include: (a) type of institution, (b) instructional program costs by level, and (c) full-time-equivalent enrollment by level for the full fiscal year.

6. Operating experience of institutions in Oklahoma and institutions in the 10-state region including (a) ratios of students to faculty by level, (b) average salaries of full-time faculty by type of institution, and (c) total educational and general budget student per capita expenditure, should be recognized as influence factors when establishing instructional program costs.

7. The amount of funds to be added to the budget for research is then determined. Basic functions of institutions will, of course, influence the determination of these amounts. Institutions that accomplish significant research must be provided funds accordingly. All institutions carry on some type of institutional research and study of programming and thus must be provided an allowance for this function of the budget.

8. Extension and public service is the third category of the educational program budget. Again, institutions' functional assignments will influence the degree to which they participate in extension

programs and/or public service programs. An appropriate amount for this program is accordingly determined.

9. The final step is to add the amounts determined for (a) instructional programs, (b) research, and (c) extension and public service. This becomes the total amount of budget needs of the institution for the educational programs to be operated.

Funding

An estimate is made of the amount of income expected to be available during the budget year from Revolving Funds. This is subtracted from the total institutional budget requirement for the year and the difference becomes the amount requested for State-Appropriated Funds.

"State-Appropriated Funds" are those funds appropriated by the Legislature to the State Regents to be allocated to constituent institutions and agencies. "Revolving Funds" are those funds which the institutions receive from student fees, sales and services of educational departments, the Federal Government in some instances, and from other miscellaneous sources. The amount of "Revolving Funds" income is estimated for each institution after taking into consideration its fee schedule, the function of the institution and possible charges to be made by the institution for the different services rendered, and the past experience of the institution as to funds actually received from the various sources.

Results

Program budgeting results for twenty-five institutions in The Oklahoma State System of Higher Education for 1977-78 show a projected 104,620 FTE students will be served in 1,725 programs at a total needs of \$182,186,944. Perhaps even more significant from a public policy standpoint, these results include (1) the program production or output emphasis which provides the Legislature and the Governor with a better understanding of what the State is to receive for the money requested; (2) a firm basis for equitable allocation of funds among institutions; and (3) criteria for accountability of institutions and the State System in accomplishing the work proposed.

Remarks

By

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Implications for the States Regarding the Relationship of the State Coordinating Agency with the Executive and Legislative Division of State Government in Meeting Budget Needs for Higher Education Systems

There are three major parties which usually have three different ideas about the role of the state coordinating agency in the budgeting process for institutions of higher education. These three agencies include the governor, the general assembly and the institutions of higher education themselves. The institutions of higher education generally see the coordinating agency along with its state board in a position to represent the colleges and universities with the governor and the general assembly. Their expectations are centered on seeing the coordinating agency as an advocate for the institutions. The governor's office may differ from state to state and from governor to governor within a state. In some cases the governor may see this agency as a direct representative of his office, and in the case of Arkansas the director of this department serves at the pleasure of the governor and is a member of his cabinet. In this case he is cast in the role of directly representing the governor on many matters. Even though this is true it is not always the case that a person in this position would represent the governor in total. Since the agency was created by the general assembly, many members of the general assembly see the director of the department and the state board representing the interest of the general assembly.

After six years of experience as the Director of the Department of Higher Education in Arkansas, one thing that I have learned is that none of the three situations outlined above can be the case if the state board and its staff is to be effective. The state coordinating agency should be in the position to be objective about the needs of the institutions of higher education as they relate to specific needs of the state. The agency and the board then must play the role of interpreting these to members of the general assembly and to the governor. If the agency is directly related to any one of the three agencies in a manner that its hands are tied, then it becomes impossible to be objective as it presents its recommendations of the institutions to the

governor and the general assembly. The following principles should be kept in mind when a state creates a coordinating agency in order to allow this agency to perform its functions adequately.

1. The staff of the coordinating agency should have a general background in higher education and should be capable of making objective decisions based upon valid information about one institution's needs as well as the needs of total higher education within the state.
2. The staff of the agency as well as the supervisory board should have the ability to communicate educational needs and information to the governor and general assembly in terms that they could understand. They should be able to assist in translating these needs in terms of the various other state agencies.
3. The coordinating agency should be free to look at the needs of the state without political interference from any of the various agencies of the state in order that the governor and the general assembly could have information in terms of needs rather than from strictly political influence.
4. The budgets of higher education should be expressed in a manner which is acceptable to the governor and general assembly. In order that educational needs could be reflected in the budget process the involvement of institutional personnel is imperative.
5. The budgeting process for institutions of higher education should be somewhat consistent with the budgeting for other agencies of the state government but should allow for unique differences and needs which might exist in higher education that might not be common to other agencies of state government.
6. When budgeting for higher education is considered there are two extremes which might lead one down the wrong path. The first direction in

which a state agency might go would be that of looking at the needs of higher education in terms of becoming more competitive with a particular region of the country or of the national picture. In almost every instance this kind of look at budgeting needs would lead to requests which would exceed available general revenues for higher education. The second extreme would be that of looking at a continuing percentage of general revenues for education. This has been very typical in the state of Arkansas for a number of years in terms of the way that a majority of people would like to budget for higher education as well as other segments of state government. This approach is not what is needed by the state also because it means that higher education probably will not be able to improve its present situation, especially when there is very little increase in general revenues as has been anticipated for the next few years.

I am suggesting that the coordinating agency should attempt to not only look at the needs of the state in their budgeting process but also should keep in mind available general revenues. There could be some attempt for the coordinating agency to project needs for additional taxes, but I do not consider this a task of the coordinating agency for higher education. If it is felt that the needs in higher education could be justified to the point that the percentage of general revenue should be increased for higher education, then obviously this would leave the governor and the general assembly to decide whether higher education should receive general revenues from other sources. The taxing situation should be left with the politicians and not with the coordinating agency.

We have heard this morning a presentation on program budgeting on Oklahoma. Certainly, this is one approach which has evidently worked quite well and you will find similar situations have been tried in other states. The problem in Arkansas is that the general assembly and the governor have insisted upon a number of different types of budgets during the one budget cycle which leaves very little time other than the time that is required to prepare the various types of budgets. For example, during this biennium we have gone through the regular appropriations process with institutions which involves formulas and in addition to that, late in the game a priority budget was established which is not being used a great deal because of the late date in which it was

received by the coordinating body and by the general assembly. I would hope that during the next year and a half that those of us in Arkansas involved in a higher education budgeting process can work with the legislative body and the governor's office to develop a budget procedure which will serve all elements involved more effectively.

Relative to the program budgeting presentation heard earlier today it is hoped that in my state we can address this kind of situation in more detail than we have in the past. I feel that a coordinating agency does have the responsibility to attempt in every way to measure outputs in higher education, but in the process I would hope we would never come to the point where we would think that all output in the area of education can be measured totally by numbers. We must keep in mind that as we deal with governors and members of the general assembly that we should be able to take a measurement of output and translate it into language which can be easily understood by the general public. This is imperative if higher education is to overcome the kind of image it has gained over the past few years.

Perhaps the work that has been done by the Education Commission of the States and by such people as Dr. Ben Lawrence should receive more attention at the national level. This would indicate in many of the states that rather than repeating the same process fifty times that these organizations could give to state coordinating and governing boards more direction in the measurement of educational output. I realize that this is not a simple task and, certainly, as we have worked with this task in Arkansas it is felt that we have a long way to go. If we are going to be successful in changing budget formats and the budget process in various states in the way that they should be changed, then members of the general assemblies and governors as well as institutions of higher education must come to a point where data provided will receive maximum benefit, therefore, reducing the amount of time spent in the budgeting process. I feel that presently in our state far too much is spent in developing masses of detail which could not possibly be used by members of the Budget Review Committee of the General Assembly or personnel in the governor's office. Perhaps this area has something to say to SHEEO about future efforts of this organization.

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