Privatizing American public higher education: racing down a slippery slope

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ABSTRACT

American public higher education is in trouble. Besieged by declining state and Federal support for more than 30 years, public colleges and universities are facing a “game-changing” set of challenges that threaten to alter the very nature of the institutions. As two recessions withered state budgets in the first decade of the 21st century, the public funding vise closed to a precipitous level, leading some states and their universities to consider the benefits of divesting the institutions of their state affiliation. With fewer colleges and universities to support, the states would be able to remove, at least partially, one strain on their budgets. The institutions, thus disconnected from the states, would have greater freedom from oversight and constraints on fundraising.

Not everyone will win with such a significant change in the “game’s rules,” however. When public colleges and universities become essentially private, the impact on disenfranchised citizens, private higher education, and even the nation’s economy could be devastating. This article describes selected case examples of states and public institutions that have already set in motion a slide down a slippery slope.

Keywords: public universities, state support, privatization, budget cuts, funding crisis
INTRODUCTION

Public higher education in America does not have a long history and initially was possible primarily because of the Northwest Ordinance of 1787 and the Morrill Acts of 1862 and 1890 (Cohen, A., 1998; Olivas, 2006; Spring, 1986). Although private colleges were established in the early American colonies, the need for public education was recognized by the nation’s founders as necessary for the survival of the nation (Cohen, A.; Cohen, W., 1967; Rippa, 1988; Spring). The uniquely American approach to public education was intended to ensure that the nation’s citizens would be prepared sufficiently to contribute to the nation’s governance. The principle behind this innovative, populist concept was that people in America then would have a truly representative role in their government (Rippa; Spring).

Yet, the development of public colleges was not possible until funding from legislation was made available. In fact, with only 21 public colleges prior to the Civil War, the country’s higher education options were limited almost entirely to private institutions (Tewksbury, 1965). Legal scholars have concluded that the U.S. Supreme Court decision in Trustees of Dartmouth College v. Woodward (1819) essentially delayed the “development of state universities for half a century” (Rudolph, 1990, p. 211). After the first Morrill Act was passed and the Civil War ended, public higher education began to expand in America. Even so, enrollment at public and private institutions remained relatively equal until after World War II (Lucas, 2006).

Eventually, thanks in part to the development of the research university model and an era of mass higher education that began after World War II, public colleges and universities in America became a significant contributor to the country’s strength (Cohen, A., 1998; Lucas, 1996). As a result of the GI Bill and a steady increase in high school completion rates, enrollment in the nation’s colleges and universities swelled. By 1970, over half of the 18-21 age cohort in America was enrolled in higher education (Lucas, 2006, Rudolph, 1990). However, the picture for public colleges and universities did not remain bright.

PRIVATIZING HIGHER EDUCATION

Perhaps in reaction to the volatile campus environment of the 1960s and early 1970s, not to mention a taxpayer revolt that swept the nation in the 1980s, public higher education in the United States has confronted significant challenges, especially in terms of support (Spring, 1986; Schrecker, 2010; Yamada, 2010). For over three decades, public colleges and universities have been crippled by declining revenues from states as well as the Federal government (Alexander, 2000; Cohen, A., 1998; Gambino, 1990; Gilley, 1991; Johnson, 2000; “State Fiscal Support,” 2012; Travis & Davis, 2000:). In conjunction with the steady decrease in public funding, many states have increased demands for accountability as a way to reduce state support even further (NEA Higher Education Research Center, 2004). More recently, two devastating national recessions and a dramatic political shift away from governmental support have battered public colleges and universities even more severely, pushing some to a breaking point (Ehrenberg, 2006; Lyall & Sell, 2006).

Ehrenberg (2006) characterized the situation as “a perfect storm” (p. 47). And like a perfect storm, the current budget picture for public higher education in America will most certainly lead to some casualties. If the trends in state funding continue, for example, Colorado will cease funding its colleges and universities in 2022; Iowa in 2029; and Virginia, Michigan, Arizona, and Rhode Island following in 2032 (“State Fiscal Support,” 2012). In fact, this bleak picture is projected to continue until all of the nation’s public higher education institutions lose...
their state support by 2059 (“State Fiscal Support”). Although some institutions have been able to weather this funding catastrophe; albeit with reductions to services, admissions, faculty, and even quality and with corresponding increases in tuition and fees; others may not survive without taking drastic measures (Ehrenberg, 2006; NEA Higher Education Research Center, 2004). To avoid the risk of closure or accepting mergers with stronger institutions, many colleges and universities will mutate into institutions with a predominantly private focus (Ehrenberg; Kelderman, 2009; Lyall & Sell, 2006; Morphew & Eckel, 2009; Symonds, 2004; Yudof, 2002; Zemsky, 2003). As Lyall and Sell noted, America is privatizing her public higher education institutions. Largely without serious public policy analysis or debate, a series of individual state budget and revenue decisions over the past decade have made states increasingly small shareholders in their public colleges and universities. (p. 6)

This case study is a portion of a much larger critical theory study designed to call attention to the peril facing public education in America.

The Case of Virginia

The state of Virginia provides the first example of the slippery slope of privatizing public higher education. The initial experiment in freeing Virginia’s public colleges and universities from state control began prior to the economic crises of the 21st century. Following a 1988 report by the Virginia Commission on the University of the 21st Century, the state began to pursue some initiatives designed to authorize greater freedom for its public colleges and universities (Blake, 2006). Reacting to a fiscal downturn a few years later, Virginia rescinded the reforms and reduced funding as well (Blake). Yet another budget crisis hit the state soon after the turn of the century, causing wholesale reductions in allocations to state agencies, including higher education. By 2004, state support for the University of Virginia amounted to only 8% of its operating budget (Symonds, 2004). Though the College of William and Mary fared slightly better at 18% of its budget and Virginia Polytechnic Institute and State University (Virginia Tech) slightly more (Symonds), all three institutions seemed powerless in their struggle to survive the unpredictable economic weather as well as increases in state control (Blake, 2006; Breneman & Kneedler, 2006). Out of desperation, the three universities began developing a new arrangement with the state. Prior to its 2005 session, the state legislature empanelled a joint study commission that proposed three alternatives to state regulation for all of the public colleges and universities of Virginia (Blake; Breneman & Kneedler).

The resulting legislation, the Restructured Higher Education Financial and Administrative Operations Act of 2005, allowed institutions to seek one of three options of freedom from state oversight in return for 11 general objectives considered important to Virginia (Blake, 2006; Breneman & Kneedler, 2006; Leslie & Berdahl, 2008). This legislation enabled Virginia Tech, William and Mary, and the University of Virginia to have greater autonomy over their fund-raising procedures. Since they were essentially privately supported, the state magnanimously granted all three more authority to act as private institutions, “although the universities would remain ‘state agencies’ in a legal sense” (Leslie & Berdahl, p. 315).

The impact of the Virginia legislation on its public colleges and universities was examined by Leslie and Berdahl (2008), who interviewed university and state leaders to get a range of opinions. One of their participants stated that “Restructuring as we’ve done it is not a magic bullet. The institutions and the state will still have to face financial and other realities that are not overcome with a single legislative act” (Leslie & Berdahl, p. 322). Their participants
avoided making suggestions for other states that might consider Virginia’s plan, recognizing the likely differences between states. Leslie and Berdahl agreed, stating that “even initially positive innovations can have unintended consequences” (p. 326). They further hinted at the possibility of the failure of Virginia’s plan altogether: “Virginia’s Big Three public universities appear to have unleashed an uncontrollable garbage-can agenda with an outcome different than anyone anticipated” (Leslie & Berdahl, p. 325).

Yet, the leaders interviewed by Leslie and Berdahl (2008) realized that a final analysis of the legislation’s outcome may not be reasonable for at least 5 years. If this timeline is accurate, the current situation in Virginia needs to be examined. Leslie and Berdahl identified nine issues that provide direction for such an analysis. For example, they questioned the potential impact of administrator turnover on the plan’s success. Given the recent, unexpected announcement by the president of the University of Virginia of her departure and the resulting mixed reaction, the fallout from the 2005 legislation designed to ease the strain on the state and the universities may indeed be worth consideration (Stripling, 2012). Leslie and Berdahl also projected a shift in state politics that could reignite pressures on the colleges and universities. “At that time, the precedents set by the 2005 Virginia restructuring might come back to haunt the public institutions and, therefore, ultimately, the broad public interest” (p. 326). With the reality of Leslie and Berdahl’s predictions now confronting the state of Virginia, the wisdom of privatizing even three of the state’s most prominent public institutions is perhaps questionable.

The Case of Michigan

Similarly, the state of Michigan had reduced its funding for the University of Michigan in the 1980s, in this case by one third (Fain, 2009). To offset this loss, the university focused its efforts on tuition funding, especially from students admitted from other states, and raising funds from private donors (Fain). Later, in 2009, the university’s allocation from the state was merely 7% of its total budget, which was less than the University of Virginia received in state funding in 2004 (Fain; Kelderman, 2009). Just since 2002, the university faced a 100 million dollar reduction in state support (Kelderman, 2009). State officials in Michigan have considered actually eliminating the funding for flagship universities (Fain; Kelderman, 2009). Considering that “the University of Michigan already has only minimal fiscal ties to the state,” the legislature convened a panel in 2008 that even recommended converting the University of Michigan from a public to a private institution (Kelderman, 2009, p. A16).

Given that almost half of the university’s student body are not Michigan residents (Sullivan 2009), former President Duderstadt stated that it “looks less like a state university. ‘Folks from out of state are attending a private institution’” (Fain, 2009, ED20). Still, the University of Michigan has had to rely on the international and out-of-state students to survive fiscally. With less than one third of its applications typically coming from Michigan students, the university has the potential to confirm President Duderstadt’s designation (Sullivan). The institution’s drift toward privatization has had an affect on its student body diversity, not to mention the institution’s commitment to society. Compared to comparable California institutions, the university enrolls less than half as many students with Pell Grants (Sullivan). Yet, the University of Michigan has remained a strong supporter of the economy in and around Ann Arbor, with building projects in excess of 500 million dollars (Sullivan).
The Case of Ohio

When the state of Ohio was only providing 15% of Miami University’s annual revenue in 2004, the university initiated a policy of high tuition for all students (Ehrenberg, 2006; Symonds, 2004). The following year, the state government held the university’s tuition to a 5.5% increase for Ohio students, down from the 9% that Miami had requested (Ehrenberg, 2006). In 2011, Chancellor Petro of the University System of Ohio proposed an Enterprise University Plan to the state government. The plan was designed to free all 14 of Ohio’s public universities from much of the state’s oversight, but their funding from the state would also be reduced (Kelderman, 2012a). Though Governor Kasich was in favor of the enterprise plan, the General Assembly did not take action on it, perhaps because it lacked support among the presidents of the universities (Kelderman, 2012c). Another failed reform effort was attempted in November 2011, when the Ohio General Assembly presented to the state’s voters Senate Bill 5, which would have effectively ended collective bargaining at public colleges and universities (Flannery, 2011). Even though the voters rejected the measure, Ohio does seem committed to privatizing its public institutions (Kelderman, 2012a).

The Case of Colorado

The state government in Colorado is not as strong as the local governments, characteristically collecting less in taxes (Jacobs, 2006). Through a voter referendum in 1992, the state’s citizens adopted the Taxpayer’s Bill of Rights (TABOR), which limited the amount that both types of government can spend, using the previous year’s allocation as a basis for the maximum amount (Jacobs). TABOR also prevented institutions from raising tuition to offset reductions in state support (Jacobs). By 2000, the 28 public colleges and universities in Colorado were only receiving 13% of the state’s budget, so Governor Owens created a panel in 2001 to determine other sources of income for the institutions (Jacobs).

The governor’s Blue Ribbon Panel on Higher Education for the 21st Century proposed two solutions to the funding problem in 2003: make students a viable market force and give institutions an opportunity to compete for these students (Petro, 2011). One of the provisions of TABOR was “enterprise status” for a government agency, which essentially set aside the law’s spending limits if the agency’s support from the government fell below 10% of total income (Jacobs, 2006). In response to the panel’s suggestions, the Colorado General Assembly approved bills that established an enterprise university system as well as a fund that would provide vouchers for state residents to use at the Colorado institution of their choice (Jacobs; Petro).

When the University of Colorado was being funded by the state at just 9% by 2004, the university requested and received enterprise status, which freed it from some of the regulations of state agencies (Symonds, 2004). The other 27 colleges and universities in Colorado obtained enterprise status the following year (Jacobs, 2006). Similar to the University of Michigan, the University of Colorado has become dependent on its nonresident students, who comprise less than a third of the student body, though they provide almost three-fourths of the institution’s tuition income (Symonds). Like Michigan, Colorado lawmakers have considered cutting the funding entirely for its flagship universities (Kelderman, 2009).

The Case of Pennsylvania

The higher education environment in Pennsylvania was already primed for privatization
when Governor Corbett was elected to office in 2010, vows to avoid a tax hike in spite of a
budget deficit of four billion dollars (Kelderman, 2012c). Although 14 of the Pennsylvania’s
universities were owned by the state, four others; including Pennsylvania State University,
Temple, the University of Pittsburgh, and Lincoln; were simply considered state related
(Kelderman, 2012c). In 2004, Penn State received 12% of its income from the state, but by 2012,
the three largest state-related institutions were only receiving 5% from Harrisburg (Kelderman,
2012c; Symonds, 2004).

During his first year in office, the governor sought to reduce the state’s funding for higher
education by 50%, possibly the largest decrease in funding for public higher education in the
history of the country (Kelderman, 2012c). Although the state legislature, after understandable
resistance from the institutions, lowered the figure to roughly 20%, the governor came back in
2012 with another significant request for funding cuts (Kelderman, 2012c). Asking for 30% less
for the three largest state-related institutions, the governor also suggested that the universities
owned by the state face a reduction of 20% and the community colleges, almost 4% (Kelderman,
2012c). Then, in a move mirroring that of Colorado’s Owens in 2001, Corbett created a
committee to examine the state’s higher education issues and voiced his concern about the
number of graduates who do not appear to be sufficiently trained for employment (Kelderman,
2012c). So far, his actions have drawn considerable criticism. Yet, in response to comments that
the universities examine the possibility of privatizing, Corbett seemed open to such a
consideration (Kelderman, 2012c).

Ominous Indicators from Other States

Other states have considered actions that seem to promote the privatization of higher
education, given the minimal state contribution to institutional budgets. In Amherst, the
University of Massachusetts has sought to increase its nonresident enrollment to 30%, while
initiating plans to attract additional private funding (Fain, 2009). Similar to Virginia, Ohio, and
Colorado, the state of Massachusetts allowed its public universities to have more autonomy if
they would accept further funding cuts (Kelderman, 2009).

The Madison campus of the University of Wisconsin, with out-of-state students
comprising over one third of its student body in 2009, raised tuition and fees by 10%. Since
then, Governor Walker of Wisconsin has advocated that the campus be given its independence
from the university system, and idea that was soon rebuffed by the remaining campuses
(Kelderman, 2012c). Even so, the Wisconsin legislature approved a bill that freed the entire
system of some state oversight (Kelderman, 2012c).

In California, some institutions are initiating privatization themselves, perhaps in reaction
to Governor Brown’s revised budget estimate in May of 2012. At UCLA, for example, the
faculty recently approved a plan to rely entirely on tuition income and private funding for its
MBA program, refusing state support entirely (Jaschik, 2012). In 2009, UCLA was confronted
with a budget decline of 131 million dollars (Fain, 2009). Citing reduced funding and pressure to
privatize, Yamada (2010) described the “steady erosion” of the system of public higher education
in California (p. 91). She further explained that many state campuses have been pressured to
develop partnerships with private enterprises, “with each campus becoming hybridized into a
public-private organization” (p. 92).

The list of states grappling with privatization of higher education continues, including
Arizona, South Carolina, North Dakota, New Jersey, and Oregon, just to cite a few (Fain, 2009;
Kelderman, 2009; Symonds, 2004). Although the numbers of public institutions that have
evolved into predominantly private colleges is still relatively small, the projections of state budgets do not appear to be optimistic enough to prevent further privatizing of American higher education (Kelderman, 2012a; NEA Higher Education Research Center, 2004). As the economic projections indicate, every state in the country sooner or later will be forced to consider what to do with their public institutions when the money is no longer available (“State Fiscal Support,” 2012).

Once institutions have been jettisoned into the private sector, states will not be inclined to adjust their relationships with colleges and return them to their previously public status (Kelderman, 2012a). Plus, the state budgets are not expected to improve sufficiently to retrieve these formerly public institutions anyway (Kelderman, 2012b). Hence, the trend of privatizing public higher education will continue down the slippery slope, and once institutions make the shift, they reach a point of no return. Furthermore, with the press more concerned about increasing tuition costs and rising out-of-state student admissions, the public is likely to be unaware of the privatization dilemma (Priest & St. John, 2006).

**IMPLICATIONS FOR AMERICAN HIGHER EDUCATION**

As more colleges and universities are forced to shift their dependence from public to private support, a number of reverberations potentially will be felt throughout the nation. Some of the results could be favorable, such as more efficient and cost-effective operations by institutions less affected by the state budgeting chaos (Ehrenberg, 2006; Lyall & Sell, 2006; NEA Higher Education Research Center, 2004). Certainly, states suffering from strained budgets could have one less “hungry mouth to feed,” though the trade-off would not take on the semblance of a windfall, as legislators in Nevada realized in 2011 when the state deficit was far beyond even double the prior year’s higher education budget (Kelderman, 2011).

The fallout from this privatization of public higher education will descend heavily and disproportionately on minority and lower income students (“How to Limit,” 2011; Lyall & Sell, 2006; Morphew & Eckel, 2009; Priest & St. John, 2006; Symonds, 2004). America’s neediest students already receive the smallest portion of public funding for higher education (21st Century Commission, 2012). Among the more serious consequences of privatization is a declining college-educated population. At a time when the nation’s chronically unemployed face a need to acquire a bachelor’s degree just to gain employment, the impact of fewer public colleges and universities will negatively impact both the workforce and the economy in America (Scott & Travis, 2012).

Hence, the participation of colleges and universities in social mobility will be diminished, as lower socioeconomic groups are increasingly denied access to higher education (Lyall & Sell, 2006; Morphew & Eckel, 2009; Priest & St. John, 2006). Such a scenario plays into the hands of social-political conservatives, who are “counting on privatization to accomplish indirectly what cannot be enacted directly” (Lyall & Sell, p. 10), a goal that this author has discovered in a study of attacks on public education in the United States. “To say that these policy choices have racist implications is far too kind—the policy choices have been deliberate, purposeful, consistent, persistent, targeted, and pervasive. The ugliness is inescapable” (“How to Limit,” 2011, p. 16).

Additional implications include a curriculum controlled by market forces; a diminishing commitment to public service, which has been a defining feature of many state institutions; and potential conflicts of interest with nonprofit and corporate funding agencies (Lyall & Sell, 2006; Zemsky, 2003). Graduate programs and university research also could be weakened as a result of continuing tuition hikes (Ehrenberg, 2006). Moreover, institutions will be forced to enhance
their marketing as they increasingly transfer costs to consumers, to reduce the expense of their workforce, and to seek new and more stable funding sources (Lyall & Sell; NEA Higher Education Research Center, 2004). Furthermore, as formerly public institutions compete with private nonprofit colleges for grants and donations, even the private institutions could feel a budget crunch. This competition, no doubt, will be exacerbated by the continuing headlong rush of the for-profit sector of higher education to grab more of the market share (Tierney, 2011). Ultimately, some of the public institutions that join the private competition simply will not survive.

Perhaps the most critical result of reductions in state support of public higher education is the continuing increase in tuition and fees at public institutions. For example, the situation for students attending public research institutions in New Hampshire, Vermont, Montana, Colorado, and Oregon has become serious enough that their costs have risen above 70% of the total price tag for their education, yet students at private research universities pay just over half of their costs (Kelderman, 2009). Ehrenberg (2006) concluded that public colleges and universities essentially “have to devote most of their efforts to increasing their net tuition revenues” (p. 51). At a time when students are already incurring exorbitant loan debt, increases in their costs will only exacerbate their dilemma (Jesse, 2012).

Considering that the majority of the nation’s college students attend public colleges and universities, the sheer size of this impact could be devastating for the students and the nation as well (Lyall & Sell, 2006). State institutions already are facing the reality that they cannot adequately serve the students within their own state borders (Fain, 2009). As these institutions privatize, depending more on tuition revenue, the resulting increased stratification of colleges and universities will impact lower income students the most, forcing them into less selective colleges (Ehrenberg, 2006; Symonds, 2004). Given that these students’ ultimate incomes will be reduced as a consequence, the impact on the economy should be clear (Ehrenberg).

Americans are focused in 2012 primarily on the economy, but with little understanding of the nation’s most powerful economic engine: its public colleges and universities. The former president of the University of Michigan said, “The U.S. is unique in not having a national strategy for maintaining world-class universities” (Sullivan, 2009, ¶ 11). One day, the nation’s missing strategy may lead it to economic doom.

REFERENCES


