

The Changing Relationship between Higher Education and the States

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Good afternoon, ladies and gentlemen – colleagues in higher education. It is my pleasure to join you here in the nation's capital to discuss the future of the "social compact" between higher education and the public. I represent one of the largest universities in the country, so this is a central, familiar issue for me. We're big; we're public; we've got the State of Texas branded all over us. When I was asked to address "the changing relationship between higher education and the states," I knew I would have no small well of experience from which to draw. Even as I speak, the Texas state legislature is under way in its biennial session – they meet every two years for 140 days – and already my colleagues and I are deeply involved in conversations with legislators concerning issues that affect higher education in our state.

And by the way, there are those who suggest that instead of 140 days every two years, two days every 140 years would be more suitable. Perhaps that joke alone illustrates the state of the "social compact" in Texas.

A compact is such a civilized idea. It evokes an atmosphere of amicability and trust. The community interest placed foremost; everyone honorable; no accountability needed. A far different image from a treaty, or even a contract.

No wonder we like to think of the time when there was a social compact concerning higher education. The real questions for today are whether one ever existed, whether "compact" is just a label for our wistfulness for a simpler era, whether anything like a compact can be fashioned in our time.

There is not much doubt that wishful nostalgia is involved. Our era sometimes seems more like roller derby than civilization in any form. It is natural for us to want to revert to childhood as an escape from the daily pressures of striving to deliver on higher education's promise in a contentious, ever questioning world.

There is also not much doubt that it was a simpler time, back there when we think of a compact as having existed. We are not too clear on exactly when it was, but it surely was in the good times – probably in the '60s, before they got too complicated. Maybe before that, too.

And there is not much doubt that we are being poetic when we speak of a compact. In given local settings, there might have been brief, fairly formal understandings about how higher education would conduct its business and how it would be supported, but we are not really speaking of a relationship in which the responsibilities were clearly delineated in a specific way.

But recognizing all of these limits, I am willing to grant that there was a *something* that we seem to have lost. There *was* an atmosphere of amicability and trust. The community interest *was* pretty generally placed foremost. The players *were* mostly honorable. And by today's standards, elaborate accountability was *not* needed. What was the something? It was a broadly shared frame for doing business, a persistent cultural environment in which advances could be made. Let's call it a social compact, for short.

Its roots are easily found in the cultural history of America. In his classic study *The Uses of the University*, Clark Kerr wrote that "Two great impacts, beyond all other forces, have molded the modern American university system and made it distinctive." For Kerr, these were the land-grant movement and federal support of scientific research during World War II and afterwards. I would add a third: the GI Bill.

The Morrill Act of 1862 does merit placement as the centerpiece, because it changed the stage on which American universities, both public and private, would develop over the next hundred years. Clark Kerr called it "one of the most seminal pieces of legislation ever enacted." There were several powerful aspects to it, but those most central to our discussion today were its immense scale and its inherently egalitarian, populist nature. Over time, these qualities drove American society to redefine the goal of higher education, which became, in Kerr's words, "to serve less the perpetuation of an elite class and more the creation of a relatively classless society, with the doors of opportunity open to all through education."

But there were two more changeable aspects of the Morrill Act: It defined a responsibility in the new institutions for the creation of new knowledge in service to the larger society, and it established a basis for a new habit of extending knowledge-based support into the daily work and life of the society.

Through the Morrill Act, research became a mission of public universities – and, essentially simultaneously, a mission of private institutions, too. Thus, 1862 dates the partnership between universities and the federal government to establish the platform for fundamental and applied research in the United States.

Through the Morrill Act, the upgrading of public knowledge for public service also became a mission of public universities. Although private institutions have picked it up to a lesser degree, engagement "outside the walls" is clearly a hallmark of American higher education as one looks worldwide for comparisons.

Recognizing the sum of all effects, Clark Kerr said of the Morrill Act, "This was a dramatic break with earlier American traditions in higher education. It created a new social force in world history. Nowhere before had universities been so closely linked with the daily life of so much of their societies."

The Second World War modified the social contract and sowed the seeds for its eventual failure. The urgency and technological nature of the war created a need for tremendous expansion of the national research capacity, which was already rooted in universities. The wartime laboratories were forerunners of university research centers. In the ensuing decades, federal research dollars would vastly transform the purpose and ambition of various schools and colleges within the American university. Those dollars would broaden, and sometimes redefine, the job descriptions of the faculty, especially in the sciences and engineering. Research would become a much larger part of the institutional mission in the latter part of the 20th century, and it would become linked in the public mind with national and local economic viability.

Another great influence from the Second World War was the GI Bill, which aggressively encouraged a generation of remarkably able and highly motivated young people to build a future through college education. They took up the opportunity in droves and became the well educated, pragmatic, innovative workforce that powered America to global leadership in so many spheres during their working years. The GI Bill changed the nation's

view of what a college education could mean and dramatically increased the share of families who defined a collegiate experience as essential for their children.

Out of these roots grew a national concept of how higher education should operate and how it should be financed. Here is my summary of the principles that generally applied all across the country:

- Essentially all high school graduates should have broad access to local and flagship public institutions, as well as to private institutions of varying character. Elite, selective private institutions and an occasional public of high standing could be exceptions.
- Tuition and fees for undergraduate education at local and flagship public institutions should be low, no more than a couple of percent of the median family income and low enough that a student working a half-time job could pay for them while also handling living costs.
- The states would finance the institution's educational programs sufficiently to generate needed capacity and to keep tuition and fees to negligible levels.
- Private donors would help independent institutions to keep their tuition and fees within an affordable range – higher than for the publics, but still generally a modest percentage of the median family income.
- The national universities would recruit faculties capable of forming the core research base for the nation.
- Research operations would be financed by the federal government, private foundations, and interested corporations. State government would provide infrastructure, particularly physical facilities.

- Graduate programs would be sustained by using students as apprentices in research and in the teaching of undergraduates.
- Outreach would be financed in ways particular to its nature: cooperative extension in a federal-state partnership; off-campus instruction by the states or through tuition and fees; other efforts piggybacked on mainstream teaching and research programs.

This is a fair summary of the compact as it did work during the 1960s, but it applied in essence for almost a century before, from the period after the Civil War when so many of the nation's flagship state universities, including The University of Texas, were founded.

Since UT Austin began in 1883, it has been the dominant source of leadership in our state, whether in the arts and culture, business and economic development, law, government, technology, the media, social organizations, or practically any other aspect of life in Texas. Our compact was with the state of Texas – which built our campus and paid our bills – and with the people of Texas, the farmers, ranchers, petrochemical-industry workers, and urban business owners who sent their children to Austin to advance their education and prepare them for productive lives and financial stability. The University of Texas was affordable, in fact practically free until the 1970s. It was also accessible (although segregated until 1950); and it was eager to educate bright young "comers" in order to raise the overall level of education in a poor, mostly rural, undereducated state.

But let the record show that not every Texas politician was enamored with its flagship institution of higher learning. Years before ground was broken to create the University, Senator James Armstrong of Jefferson County proclaimed, "I am no advocate of the

University system. . . . Universities are the ovens to heat up and hatch all manner of vice, immorality, and crime." In 1917, Governor James Ferguson even vetoed the University's entire appropriation. It was rescued in a remarkable partnership of two regents, rivals through their lifetimes because of their service on opposite sides during the Civil War, but partners at the end of life in making a personal guarantee of the biennial budget for the University. A remarkable gesture, especially as viewed from this era. The appropriation was reinstated and the governor was impeached and resigned. So let us remember that serious battles were fought in the past, too.

Regardless of the occasional rancor of a politician or two, The University of Texas at Austin continues to be held in high regard by the people of Texas. In a statewide survey conducted in late 2002, the University found that Texans believed that UT Austin was surpassed only by Harvard and Stanford among the leading American universities. This does not mean the respondents were correct, of course, only that they were highly intelligent, keenly astute, and loyal to their favorite football team. The survey also discovered that Texans felt that UT Austin provided its students with the highest quality education available; that a UT degree was highly valued; and that UT was having a positive impact on the state. These overwhelmingly supportive findings, in very real terms, make up the most direct and satisfying manifestation that there remains a basis for a compact between The University of Texas and the people of the state.

But in Texas, as in other states, there is no longer a relationship with state government that could be termed a compact.

Can we restore the compact?

No, we can't. Not the old one. It was rooted in a simpler, less plural America – one with fewer voices, fewer challengers, fewer urgencies, fewer hopes. It was also based on the fact that higher education, while important, was not too important.

Our very success has upset that reality. Now, higher education is perceived by nearly everyone to be essential for individual economic viability, and its institutions are centerpieces for the national research effort and for national and local economic and social renewal. Our universities have become taproots of vitality, and the public knows it. Just as war is too important to be left to the generals, the work of universities has become far too important to be left to those who make them work daily.

And the stakes have made us rougher players, too. The loss of amicability is not just a phenomenon of the outside.

The compact failed because it could not be sustained in changed times. Here are some of the reasons:

- Under the press of eligible students, many institutions had to restrict admissions, so that they were no longer broadly accessible to high school graduates. Quite a few are extremely selective now, and more of the public sees them as irrelevant to their family interests.
- State government, faced with demands to address crime, health care, and other immediate social needs, began to recognize the private benefit of a collegiate education and began to back away from full subsidy.
- The demands of the research enterprise began to raise the cost of faculty talent and alter the economics of teaching.

- The rapid expansion of research as a fraction of overall effort taxed the capital capacity of institutions and states.
- The old funding patterns gave way as the federal government took a role in financing undergraduate education, as the state governments became more aggressive about research (especially because of its economic impact), and as private support began to be sought and received by public institutions. As responsibilities have blurred, they have become less compelling.
- Regulatory requirements became enormous.
- And finally, the general erosion of public confidence in institutions, beginning in the 1960s, finally reached higher education with full impact.

The symptoms of an unsustainable public environment for higher education lie before us. They are obvious and fearsome:

- For two decades or more, we have experienced a steady, global erosion of appropriated state support as a fraction of the educational cost per student. At UT, the state appropriated fraction of the total budget is now below 20%, a common condition among the nation's public flagships. The leaders of higher education often refer to this point in public discussion. We need to be honest about it, for there are sizable parts of our budget for which the state has never had a major role, such as research operations. A better diagnostic is the appropriated fraction of what we at UT call the "academic budget," covering faculty salaries, operating costs of the academic units, costs of academic facilities, and core administrative functions. In the 1970s, state general

revenue appropriations covered 85% of these costs. Today, they cover about a third, and the share falls every year.

- There have been huge rises in tuition and fees, with no moderation in sight. I am not speaking of the experience of the past couple of years, which has been extraordinary, but rather of the gradual effect over three decades. The academic cost of attendance at UT is 70 times greater now than it was for me in the late '60s. Even allowing for inflation, that's impressive growth.
- Mean-spirited remarks by officeholders, once rare, have become common.
- There seems also to be a loss of trust cutting two ways. Many public officials and segments of the general public doubt that university leaders and university faculty really are interested in students, parents, and the health of their society. Folks close to educational institutions, including their large body of close supporters, question whether legislators and other state leaders have any commitment to educational quality or to the future beyond the next election.

So the old compact is gone, just as are other things from a bygone era. Does it matter, really? It is worthwhile to spend time talking more about this?

I think it is, precisely because the universities and their work are so important to the health of our nation. Public transactions concerning the development and operation of our universities, especially our public institutions, sometimes remind me of mudwrestling with the family treasures in an open shirt pocket. We win some of the rounds, but in every one we get dirtier, and we might not be able to find the valuable things again after each new tussle is over. We are just not in the right game. There is too much risk that a mistake, by us or by

public leaders, will be grievously damaging to long-term community interests. We need to change the game. We need rules that create a healthier environment for the public business of higher education. We need a new compact.

Much easier said than done, not least because there is no one to define the public side of the compact. And because that is true, the responsibility for changing the environment rests with us, the leadership of American higher education. It needs an idea.

This is a big subject, worthy of long and serious conversations; but I offer five points that, in my view, must be on any agenda. Two are about recovering faith; two more, about reducing fear; the last, about gaining stability.

First, we must work to rebuild a broad understanding in the larger society and its leadership of what our institutions do and how they establish – through their several missions – public benefits for a healthier present and future.

To a remarkable extent, folks see only one mission when they look at us. To a very great fraction of the American public, including most legislators I have encountered, we are strictly about undergraduate education. To much of Washington, we are about research and occasionally about graduate education. To other segments, our mission may be athletic entertainment, or the arts, or extension, or regional economic development, or libraries, or cultural preservation. The power of America's institutions of higher education lies in the total of what we do and how the parts fit together. Because the public and public leadership are not grasping that reality, they become frustrated by our segmented financial picture – about

"why resources over there can't be used for my concern" – and they see us as afflicted by foolish lack of focus.

A related, very important matter is the loss of recognition for higher education's contribution to the common good. Over the past three decades, our work has been largely redefined in the public mind as yielding mainly private benefits, in the form of undergraduate and professional degrees having personal economic value. This one misconception is central to the erosion of support from state legislatures across the nation.

We must address these perceptions immediately and with effect. Our associations can help to organize national efforts, but there is local work to be done, too. The paired ideas of multiple missions and the common good deserve a place in nearly every Rotary-Club speech, but they also merit delivery to audiences close to us, such as our students and their parents.

The second item in my five-point agenda is this: We must work to restore trust that we are genuinely committed to serving our students and our larger society and that we work daily with competence and quality.

With public leaders and elected officials, we have to do a better job of establishing regular contacts, engaging in honest, mutual development of long-term and short-term goals, frankly discussing financial tradeoffs, and reinforcing the balance of missions that we must undertake. Now, I know that most of us think we do this, but in my experience, we really don't. Our contacts with public leaders are typically driven by a single issue or the exigencies of a legislative session. Greater texture is needed in the relationships, especially with key leaders. We also need to be thoughtful and collaborative in working toward that end, because it is not possible for every institutional president in most states to establish relationships such

as I have described. Public leaders have many mouths to feed, and we must always respect that reality.

To build trust with the public at large, we need to sponsor accountability, not just to accept it grudgingly. We ought to help to define indices of performance that make sense and we should help to found a credible reporting center. We need to be forthright about shortcomings, and we ought to embrace a culture of continuous improvement.

Third among my five points: We must work with public leaders and among ourselves to establish sound, credible mechanisms for continuing the national tradition of ready financial access to higher education by middle-class students.

Let us not underestimate the depth of fear that exists in the country over this one point, and let us not discount the threat to our democracy. In my judgment, the worry is not misplaced. Now, I realize that there is a well-documented misperception among the public concerning the facts about college costs – that on average the public thinks of college as costing two to three times what it actually does – but I also think there is plenty to be concerned about in the truth.

At the typical flagship public institution in America, the academic cost of attendance (mandatory tuition and fees) is now in the range of \$5,000 to \$7,500, or about 11 to 17 percent of median family income. Those figures are up from 1 to 5 percent in the 1960s. If the trends of the past 15 to 20 years continue, the share would rise to something like 30 percent of median family income by 2020. In our current system, middle-class families, representing perhaps one to three times the median family income, do not get much mitigation of these costs. The impact on these families of a large rise in cost of attendance as

a share of income would be enormous; consequently, I do not believe that it would be allowed to happen. Political leaders would react by capping our charges and draining resources from our missions other than undergraduate education. These actions would inevitably degrade the quality of public-sector institutions and would cause a fractionation of quality in this country strictly along public-private lines. I do not need to go further into what such a result would mean socially and economically, given that the public institutions serve three-quarters of American students.

This is a serious problem, and it needs attention now. I believe that a solution can be achieved. That solution could also become the central point on which a new social compact is founded.

The key is to strive for a consensus among public leaders and the leaders of higher education concerning a target for the out-of-pocket academic cost of attendance at public institutions of various kinds as a fraction of median family income. This is what matters to people, and this is what will determine the evolution of public policy concerning higher education. Note the focus here. The conversation should be about what people actually have to pay to go to school. It should not be conflated with living costs, which can be addressed in various ways and may not be limiting to opportunity. If there are scholarship or grant programs, or if tax benefits exist, or if there are habits of discounting, these factors should be reflected in the out-of-pocket academic cost.

I cannot propose on the basis of information available to me exactly where the target should be set, but my instinct says that for a flagship institution the upper limit should be something like 20 percent of the median family income. Of course, that would be 10 percent

of twice the median family income, which is probably a better benchmark for the middle class than median income.

If consensus on the target can be achieved, the annual discussion with all players – institutional administrations, students, parents, governing boards, legislatures, executive leaders of state government, Congress, and relevant federal officers – can be consistently pointed toward realizing it through actions that are much more thoughtful and concerted than today's.

But I do need to be clear about something: The states will continue to have the definitive role here. A stable, healthy pattern can be achieved only if legislatures and governors make a sustained commitment to affordability with quality.

The fourth point in my agenda is this: We must find a way to make a college education seem essential and more reachable to the parents of the most talented students from lower-income families.

Over the past seven years, I have spent a good deal of time in Texas high schools, as we have worked to use the state's top-10% admission law to rebuild minority representation at UT. We have succeeded, I am glad to say. But my experience in something like a hundred schools – mostly urban, mostly minority dominated – has taught me something about the challenge that all of us face in elevating college-going rates of students from lower-income families. And that's important, not only from the standpoint of justice, but also because college-going rates of these students must be elevated to preserve even the current level of educated adult talent in our nation.

When I talk to a top-10% audience in these schools, I am speaking to the best students, not the average ones. Most likely, they are the top 3 percent of those who entered in the ninth grade, because two thirds of their entering class have already dropped out. Every single one of these students should be going to college somewhere. Only about a third do so.

Why does this dreadful waste of talent occur? For two reasons, I think: The students do not grasp the value of a college education to their future, and they do not believe us when we say that we can make college financially possible.

We in higher education must develop a more coordinated, more effective strategy to reach talented students from lower-income families. I do not have a recipe, but here are some elements that ought to be in the picture:

- Families have to be recruited as well as students. The attitude of impossibility runs deeper than the student.
- We need to identify strong talent in middle school and work with talented students and families to target college all through high school. Decisions about going to college are generally made, research shows, before high school or early in high school.
- We need to help students and families to understand how the finances can be addressed much earlier than when the FAFSA form comes out in the student's senior year.
- We need to simplify the packaging of the finances. They are typically much too complex now to inspire confidence in these families, who are mistrustful of promises and debt.

There is a fifth and final point in my agenda: We must address costs. More specifically, we must mount serious, effective efforts to limit the *rate of growth* in the educational cost per student. It is in the range of 4.5 percent per year, a substantially inflationary figure, but more important, a figure significantly larger than the long-term growth rate of the economy.

We all know that there are good reasons for it: There is intrinsically high inflation in salary costs for our labor-intensive business built on rare talent, and there are progressively added costs associated with the growth of knowledge and the facilities required for teaching.

But it is very likely that a growth rate of 4.5 percent cannot be sustained indefinitely. Of course, we can reduce the growth rate of costs by degrading quality. That is not the answer. We need to look for ways to take that growth rate down while sustaining quality, so that whatever advances are made along that line can become broadly shared among us. This is hard, but it is important for stability of our mission and our work. It merits serious initiative, both collaborative and local.

Let me close now with a favorite story about Texas. In the vein of many Texas stories, it is about dreams – in this case about dreams by our founders about what should happen for the benefit of generations beyond their own. Mirabeau B. Lamar, second President of the Republic of Texas, boldly urged his fledgling nation to develop not one, but two universities. This was in 1838. Texas was on the frontier. The daily goal of individuals was survival, not high culture. The Texas population – everyone included, part of the civil society or not – was only 50,000. The entire Texas nation was smaller than our present-day University of Texas. Five square miles to every person. Few schools, no cities. A university

must have been practically the farthest thing from the minds of most people as being essential to their future. Lamar himself had never attended a university and could have had only a second-hand understanding of their social benefits. Yet he sought two.

Lamar was not a detached intellectual writing such ideas in a personal diary to be discovered by curious scholars of a later era. He was the President of the Republic, a man at the center of affairs in that incipient society. He declared these concepts to be foundations for the future. And people followed him. The Congress dedicated public land for the vision.

Was this the beginning of a compact between Texas state lawmakers and a nascent university? You bet, as we say in Texas. Of course, it had the benefit of all grand abstractions. Nobody had to pay the light bill. But how wise those lawmakers were. They were looking far beyond the unrelieved crudeness of their immediate world, not just to a more pleasant, more prosperous home, but literally to the vision of a fresh, vigorous civilization. And that required the resources of universities.

They believed that a university would become a social engine of great common value. That view took root and grew strongly for another 150 years. They were asking, "How can we create institutions of higher learning that will educate and transform our state?" And not "How can I get my niece on the short list for admission?" Sometime in the past two or three decades, the emphasis has shifted from the common good to individual benefit. There is nothing inherently wrong with self-interest, of course, but it cannot be the foundation of what higher education is about.

Is anyone looking out for the common good? We are, and we need to tell that story.

Our continuing obligation is to give this and future generations the discipline to take a longer, fuller view. Surely such a wish is not quixotic, because we know from our own history that such discipline existed and was sustained in public life right here in America.

Thank you for the privilege of speaking on this occasion before you, my friends and colleagues. We can be proud of what we do.