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How to Bail Out Public Universities

By John Thelin

Over the past months, public-university presidents have complained about how little money they've received from their state legislatures. Some have even suggested the need to seek direct federal aid. But do state universities qualify for federal relief? Some concerns those beleaguered presidents have raised are:

Our state government gives us less and less. All state universities have faced hard times in appropriations because, of course, all state economies are hurting. Now that revenues of major states like California, Florida, and Michigan are down, public-university presidents there can hardly claim that they are being singled out for cuts among all state agencies and services.

A study published in January by the Delta Project on Postsecondary Education Costs, Productivity, and Accountability gives profiles of how public higher education has fared in each state. My state, Kentucky, is small in population and poor in income and earnings. Yet the Delta Project data indicate that the state government has been relatively generous to public colleges and universities. The state subsidy per student is $8,960—the 12th-highest dollar figure among the 50 states and two territories. It would be fair to say that the state has done right by higher education—support that public institutions have not always acknowledged.

State universities rely on a sleight of hand to justify their complaint that state appropriations have become a shrinking part of their annual operating budgets. They gloss over the fact that the size and complexity of a university is markedly different from years ago. New, federally sponsored research programs, medical centers, auxiliary services, research parks, and foundations are self-initiated ventures that expand the overall base budget. That then makes the state contribution decline as a percentage of the budget—even if appropriations increase in actual dollars.

We need more money to educate our students. That may be true, but the Delta Project study shows that, in many states, an increasing percentage of state subsidies and tuition dollars have been directed into noninstructional costs. One reads about administrative plans to eliminate academic programs and cut faculty positions or to convert them from tenure-track to adjunct status. Yet how many state universities have reduced the number of vice presidents?

Our university has a freeze on salaries. For many campus employees, that may be the case, but not for all. The football coach at the University of Florida just signed a six-year contract that raised his annual salary from $3.25-million to $4-million, making him the conference's highest-paid coach. The coach at Louisiana State University has a clause that guarantees him $1,000 more than any other coach in the league if he leads the team to a national championship. And higher compensation during lean times is hardly confined to the football stadium or basketball arena. At many state flagships it is common practice for some top-ranking administrators like the vice president of the medical center to receive substantial annual bonuses.

Our university has a freeze on hiring. That drastic measure is a cause for concern. But what is unclear is whether it applies to selected high-profile academic or administrative superstars who, because of "market forces," must be wooed with large salaries, laboratory facilities, and expensive state-of-the-art equipment, along with a retinue of their own support staff. And it's a safe bet that such special hires aren't in the French department or the school of social work.

Our university has limited funds. The problem of state support for higher education is comparable to a car with valves that are stuck so that fuel flows only one way. Today the problem for a public university is not only lack of external appropriations, but also imbalances of financial resources within the campus. For example, the public university where I teach is a member of the Southeastern Conference. In August the conference commissioner's office announced that the 12 member universities would receive revenues for television contracts of $2.25-billion over 15 years, a figure that supplements the existing $825-million contract with CBS. As Ben Volin, a sportswriter for Cox Newspapers, observed, "Thanks to ESPN, SEC teams now have significantly more money to spend on recruiting, upgrading facilities, and luring top-notch coaches."

Why not share that largess with educational programs that are central to the mission of those universities? That should not be impossible to do administratively because athletics programs are beholden to their host institutions. But be sure to brace yourself for the presidential chorus proclaiming, "But that's different! That's private money!"

Large portions of our budget are restricted. That is true. It is also neither indelible nor insoluble. Presidents, business officers, and trustees have many administrative tools readily available to redistribute at their discretion allegedly confined funds.

For instance, given the abundance in athletics revenues, the president and trustees could require the athletics association, a privately incorporated body, to pay fair-market-value rent on all of its facilities located on university property. Institutions could also bill the association for use of the university name, the university logo, and university affiliation. After all, it is not the athletics association that belongs to the National Collegiate Athletic Association—it is the university. Because the athletics association charges groups and organizations, including the university, for use of its logo and mascot, turnabout is fair play.

Another example: Presidents are supposed to educate donors about the mission of the university. But if donors still prefer to give generously to athletics and not to academic causes, here is a partial solution: Impose a processing fee or overhead charge of, say, 15 percent on all major gifts to the university and its affiliated foundations. The president and provost could then distribute those indirect-cost funds as they deem appropriate. The money might go back to the original unit or to another department. Whatever the reallocation, it would allow the president, not donors, to set the university's course.

That strategy is not far-fetched. It is based on the policy that professors encounter when applying for federal research grants. A principal investigator must add on average 47 percent in overhead expenses to the grant budget. The administration, not the professor, determines how that money is later redistributed. That has not deterred professors from applying for grants. And my proposed 15 percent is a bargain compared with 47 percent.

Such internal realignments are not a total solution for public higher education's financial plight. But at least public universities would send a signal to Congress that, before they apply for the federal relief program, they are trying to put their own houses in order to better match their resources with their educational missions.

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