



# Future of Public Universities

*"The American [university] model is beginning to creak and groan, and it may not be the model the rest of the world wants to emulate."* -James J. Duderstadt, President Emeritus of the University of Michigan at Ann Arbor

## Chronology

1785: Northwest Ordinance allocates land for public schools

1862, 1890: Morrill Land Grant Acts establish land and funding for public universities specializing in agriculture, industry, and military training

1944: GI Bill provides millions of veterans with higher education

1958-1965: Financial Aid Acts increase funding for students at public universities

1978: Pell Grants are implemented to help low-income college students attend university

1980: states begin to reduce their funding of public universities

1992: for-profit colleges are made eligible for federal student aid

2008: first MOOC (massive open online course) is offered

## Overview

The United States public university system is in a state of crisis. A weakened economy and corresponding budget cuts have put higher education funding at a 25 year low. At the same time, public universities have been mismanaging funds and overspending. As a result, higher education has become inaccessible for many lower- and middle-income students. This change is reflected in the decreasing number of students enrolling at colleges and universities— enrollment fell more than 40 percent last year.

Furthermore, there has been a call to reevaluate the purpose of university education, with critics advocating a shift from academic to vocational teaching.

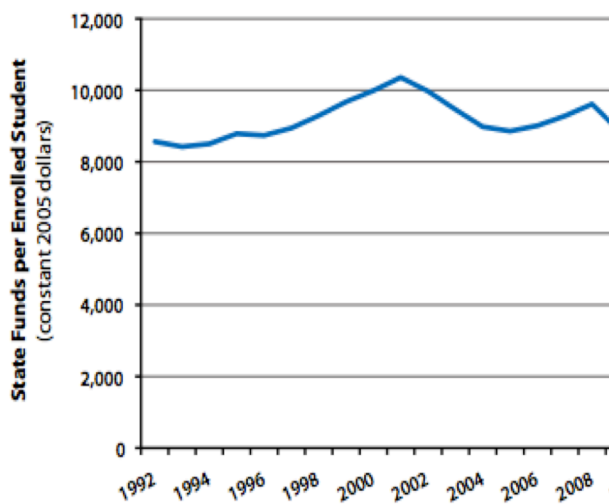
Finally, the onset of online education and massive open online courses (MOOCs) is beginning to disrupt the traditional university model.

## Financial challenges

The recent recession resulted in cuts in state funding for higher education. The past 25 years have seen more than a 27% decrease in spending on public university students across the United States. In-state tuition has been increasing at a 5.6 percent (inflation-adjusted) rate annually to help compensate for these cuts. In response, student debt has been steadily increasing to an average of \$23,300 in 2011.

While a large part of the financial hardship of the public higher education sector is due to less funding, universities themselves are partially responsible for their current fiscal troubles. A study by Bain & Co shows that a third of public colleges are on an "unsustainable financial path." Universities are guilty of poor financial planning and overspending on expansion and athletics. Professors, especially tenured ones, and administrators have large salaries.

State Funds per Enrolled Student in Public Universities, 1992-2010



## Governance

Universities function under a shared governance structure with much of the governing power lodged in the faculty. The Bain study pointed out that this system leads to difficulty in implementing broad change.

There is also the issue of tenure. While tenure allows faculty autonomy and the security of speaking out against bad policies, it also creates stagnancy and precludes innovation within university administration.

It seems that public university presidents and governing boards must become more business-minded in order to keep their universities afloat.

## Should the focus of education change?

Students who have graduated with liberal arts degrees are finding it increasingly hard to find employment. There has been a push for universities to put less emphasis on general academics and more on vocational training. However, others argue that the liberal arts curriculum is indispensable in producing educated citizens.

Additionally, the pursuit of prestige has led universities to neglect undergraduate teaching and overemphasize the development of graduate programs. Also, with the incentive of prestige, professors face pressure to conduct research and get published; they spend less and less effort on teaching.

## Shifting the education paradigm

The traditional university model faces a great deal of competition.

For-profit universities are on the rise – their enrollment tripled to 1.8 million students from 2000 to 2008. However, recently, these universities have been accused of fraud by the federal government; they must undergo reform to raise student outcomes.

Technological innovations have also changed the playing field. Online education innovators such as Coursera, edX, and Udacity are collaborating with major universities to offer quality online courses to the public, largely for free. Currently, within US colleges and universities, nearly seven million students participate in some form of online learning. MOOCs (massive open online courses) will help decrease the cost of higher education, and distance learning will become increasingly more viable.

## Outlook

Traditional public universities must overcome the hurdles of tenure and bureaucracy in order to innovate and compete with new models of education, including for-profit universities and online education. They must restructure their budgets to be more inline with their funds and lower tuition to appeal to lower-income students.