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COMMENTARY

The Private-Public Gap in Higher Education

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The contributions that top research universities make to society are more essential than ever. Those institutions in our country — exemplified by the 60 American members of the Association of American Universities — generate innovation, help drive the economies of their states and the nation, and provide opportunity and enhance the quality of life for the people they serve. Through research and study, they respond to pressing public needs in an enormous range of fields, including science, technology, public policy, and the arts.

But growing disparities between the financial resources of private universities and those of public universities are creating inequities that could have damaging repercussions — not only for economic advancement and social mobility in our own country but also for the ability of America to compete internationally.

Some states, like Massachusetts and New York, are home to outstanding private research universities with large endowments. Those universities have the financial means to recruit the best and brightest faculty members and students, and provide the research that will keep their states at the forefront of science and technology. Many of their students can also afford to pay top dollar to attend college.

Twenty-one states, however, have no universities in the association, and six states are represented only by private institutions. Some states, like California, are too large to be adequately served by their private research universities only and depend on world-class public research institutions as well. Public universities have neither large endowments nor high tuitions. And while state appropriations have historically covered much of their cost of operation, offsetting the expense to students, the proportion of total university budgets covered by state support has declined over the past 20 years.

From 2002 to 2004 alone, state governments reduced higher-education appropriations from $63.65-billion to $60.29-billion — a cut of almost 10 percent after inflation. The result has been to force public institutions to be more dependent on tuition and other sources of funds. For example, only about 15 percent of the University of California at Los Angeles's budget now comes from the state, as does just 9 percent of the University of Colorado System's.

Despite the financial squeeze, public institutions have tried to remain true to the basic values on which they were founded: excellence and access for qualified students, regardless of ability to pay. But the large and widening resource gap between private and public universities has made it more difficult for public research universities to compete in recruiting top graduate students and faculty members — those who conduct the research vital to the states and the nation. At current levels of state support, public universities are no longer able to match the faculty compensation and graduate-student fellowships and stipends that private institutions offer. Average salaries at public universities are falling further and further behind. Meanwhile, student-faculty ratios remain stable or are rising slightly at the public institutions but are falling at the private ones.

To illustrate, consider this example: UCLA has a $1.5-billion endowment. Assuming that endowments pay about 5 percent a year, the payout is slightly less than $2,000 each year per student. Since much of that is restricted to particular purposes, the figure does not translate directly into support for education.

But it suggests how much endowment money flows through the institution, much of which benefits students through scholarships and fellowships, endowed chairs, research support, construction and renovation, and equipment purchases.

Meanwhile, Stanford University, with roughly half as many undergraduate and graduate students as UCLA, has an endowment of about $10-billion, which translates to more than $25,000 per student each year. The endowment of Harvard University, where I formerly served as provost, is more than $20-billion — the highest in the nation — and provides about $55,000 per student annually.

About two-thirds of UCLA students are undergraduates. The fee for an in-state entering freshman is just under $7,000, and the state provides about $13,000 per student, bringing the total we receive per student to about $20,000. Stanford and Harvard charge undergraduates closer to $30,000 per year in tuition. So UCLA's $20,000 a year is about a third less than that available to such private institutions, or, stated another way, the privates have about 50 percent more dollars per student.

Although this analysis is greatly simplified, it is clear that the private-public gap is large and would exist whether or not California had budget problems. If the gap continues to grow, states that rely on elite private institutions will benefit, but those that depend on public universities will decline in their ability to generate innovation, to prepare and retain a highly skilled work force, and to enhance quality of life in areas such as health care.

A case in point: Henry Samueli, a founder of the broadband communications company Broadcom, received his bachelor's, master's, and doctoral degrees in electrical engineering from UCLA. He has also been an assistant professor, associate professor, and full professor of electrical engineering at the university. He told *The Sacramento Bee,* "Your competitive edge is in your ability to innovate. In order to do that, you have to have the best talent in the industry, worldwide." He went on to say that the place to find that talent is the University of California, and he wants to make sure it stays that way. If he had to look outside California for the work force he needs, he might have to move his company elsewhere.

How can public research universities narrow the resource gap?

Obviously, we must and can be efficient and effective in our operations, sophisticated in our private fund raising, successful in competing for research dollars, and creative in generating alternative sources of revenue. But that will not be enough. A more fundamental change is required. We must adopt alternate models of support that reduce our dependence on our state governments.

Consider the following possibilities: xxxxx In a first model, one that I call "wishful thinking," states would simply increase support for public universities enough to close the resource gap. That appears unlikely, although any growth in state appropriations would narrow the difference.

Another model follows the examples of the Universities of Michigan and Virginia. Both derive about 40 percent of their undergraduate enrollment from out of state, and those students pay a fee comparable to what they would pay at private universities. At Virginia, out-of-state students pay more than three times as much as state residents. But the question remains, is that solution in the best interest of state residents, whose spaces are then taken by higher-paying students from outside Virginia? (Although we could fill UCLA with out-of-state students, we don't. More than 90 percent of our freshmen are from California.)

A third model calls for flagship campuses to receive the bulk of their states' higher-education support, while other institutions get less. But how many flagships are enough, and how are they to be selected? What about systems like the University of California, which was built on the conviction that all of its campuses can aspire to be great?

Another option is "privatization," which is usually applied to professional schools. The University of Michigan and the University of Virginia, for example, have privatized their law and business schools, which receive no state money but can charge market rates. But on most campuses, including UCLA's, only a small percentage of students are in law or business school. So while such a change might be of importance to those professional schools, it would not close the overall resource gap.

A final possibility is a model based on "higher fee, higher aid," which is characteristic of a number of private universities, including the most elite, but has not yet been adopted by any major public research institutions. That model would make sense for the University of California, but *only* if higher fees were indeed accompanied by higher aid.

In such a model, the university would receive state support and also charge higher fees, but less than the average fees of private institutions across the country. The increase would be used not to offset reduced state support but to maintain and enhance quality. State money would subsidize state students, with the highest subsidies going to the students with the lowest incomes. When a state faced financial difficulties, budget cuts would reduce the subsidy for state students, but not undermine the quality of their education and not reduce the university's contributions to research and service.

By receiving more from those who can afford more, institutions can broaden access. Consider that a high-income family in California now pays only about $7,000 per year to send a son or daughter to UCLA; that's less than a fourth of what that family would pay to a comparable private university in most regions of the country. Under a higher-fee-higher-aid policy, if UCLA's price per year were increased by $7,000, it would still remain under half that charged by the private institutions with which we compete — and it would be paid only by those who could afford it.

The models I have described could be applied individually or in combination. And there may be others. But one thing is clear: Unless we change how we support great public universities, in the foreseeable future, they will be unable to compete with elite private institutions in the quality of their students and faculty and in their ability to support their local and state economies.

We can see the leading edge of this enormous challenge ahead of us. We must start now to deal with how we will sustain excellence and access over the long term if we are to maintain the quality of our work force and of our business, civic, and social institutions. We must resolve the issue not just for the sake of our students and their families, but for all of the people in much of the country, and for our nation as a competitor in the global arena.