CONSIDERATIONS
FOR STATE COLLEGES AND UNIVERSITIES IN A POST-RECESSION AMERICA

by Daniel J. Hurley

The Great Recession has placed severe pressure on America's state colleges and universities and comes at a time when these very institutions must play a central role in the nation's economic recovery and its future prosperity. Although the economic downturn poses immense challenges, it also presents an exceptional opportunity to reaffirm institutional values and recast a new and invigorated way forward. Here are four approaches that offer guidance to state college and university leaders, enhancing their ability to fulfill the historic student-centered and public purpose missions of these institutions in the post-recession era.

INTRODUCTION

The United States is experiencing the worst economic downturn in nearly 80 years. Yet, nascent signs of an economy regaining its footing are starting to appear. As the dust generated by the fiscal calamity begins to settle, virtually every industry is assessing a landscape scarred by the Great Recession. Higher education is no exception.

The particular pressure on state colleges at this moment in history is significant. Against the backdrop of reduced state revenues and increased consumer demand—with millions of unemployed and under-employed joining the ranks of the Baby Boom Echo generation in competing for classroom space—the public's expectations of these institutions remain high and continue to grow. From President Barack Obama on down, political leaders are proclaiming that the nation's public two- and four-year colleges and universities must play a crucial role in America's economic recovery and future prosperity. But given the current capacity issues faced by large public universities, and the relative indifference of elite private universities to increasing educational attainment, much of the task of educating

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and expanding a knowledge-age workforce will be incumbent on America's state colleges.

Expectations are that state colleges *must* grow regional knowledge-based workforces. They *must* graduate more students, and faster. They *must* contribute to applied research endeavors, nurturing business start-ups that lead to job creation. They *must* serve as stewards of their communities, collaborating with partners in K-12, health care, and the private and non-profit sectors to advance regional interests. Expectations demand that state colleges *must* meet these lofty goals, without either sufficient public appropriations or increases in tuition charges aimed at fully offsetting state funding reductions, given populist anger about rising college costs.

This moment in which the nation struggles to emerge from a battered economy beckons those who lead and govern state colleges to re-assess, re-calculate, and set forth a course of action reflecting a changed set of post-recession circumstances. The intent of this paper is to discuss the recession's impact on state colleges and offer a few recalibration approaches for the future. The first section contains a brief discussion of the economic outlook and implications for state colleges. This is followed by a set of crucial considerations that may be useful in more firmly positioning these institutions in the future. While the observations are the author's, they are informed by the experiences and perspectives of a select number of state college and university presidents, chancellors and system heads, shared during the most recent meeting of AASCU's Committee on Policies and Purposes.

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THE RECESSION AND ITS WAKE

Broad, Deep and Severe

Despite that Wall Street served as the epicenter for this recession, ripple effects from the downturn have been felt throughout the world economy. The recession spared few countries, resulting in an anticipated contraction in total global output of about 1 percent 2009, its lowest rate since World War II, before expanding by about 3 percent in 2010, according to International Monetary Fund (IMF) projections. Following its worst six-month performance in 50 years, U.S. economic output returned to positive growth in the third quarter of 2009, with an expected year-end overall net increase of less than 1 percent, according to the National Association of Business Economics (NABE). As a subtle reminder of the swiftly changing geopolitical landscape, the recession has dampened China's and India's economic growth, to the point where their GDPs will only *grow* in 2009 by 7.5 percent and 5.4 percent, respectively, according to IMF projections.

The most pronounced human toll of the recession is reflected in unemployment figures. Since the start of the recession in December 2007, an astonishing 7.3 million payroll jobs have evaporated. The national unemployment rate reached 10.2 percent in October 2009, the highest level in 26 years. The number of individuals working part-time jobs but seeking full-time employment has reached a record 9.2 million. The combined unemployment and "under-employment" rate is 17 percent, the highest level in the 16 years that this reading has been calculated. It includes the officially unemployed, all part-time workers who prefer full-time jobs, and discouraged job seekers who have stopped looking for work. The average time jobless individuals have been out of work has extended beyond six months for the first time since data collection began 60 years ago. All told, nearly 15 million Americans are currently seeking employment.

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One silver lining is that the unemployment numbers associated with the recession once again bear out that education pays. Those with a college degree are one-half as likely to be unemployed compared to those with a high school diploma (9.4 percent compared to 4.7 percent). The numbers also affirm the importance of a core tenet of state colleges' missions: facilitating college access and success that leads to upward economic mobility for traditionally underserved populations. While the national employment rate is 10.2 percent, for African Americans it is 15.7 percent; among the ranks of the nation's fastest growing demographic population, Hispanics, 13.1 percent are unemployed.

Unsurprisingly, metropolitan centers of auto and auto parts manufacturing continue to post sharp declines in overall employment. Forty-nine of the 50 states have lost manufacturing jobs in the past year (Alaska being the exception). As is typical in a recession, improvement in the unemployment rate will likely lag behind positive signs associated with other economic indicators. While consumer demand is already showing signs of improvement, the unemployment rate may rise or remain stagnant well into 2010. The unemployment rate will not return to a normal level (approximately 5 percent) by 2014, according to estimates by Moody's Economy.com. The consensus among economists is that the recession, at least as technically defined, ended in the third quarter of 2009. They generally agree that economic expansion will be a gradual process, with states' economies lagging national performance. A resulting trickle-down effect is that a much-needed boost in state appropriations to public colleges will trail even further behind.

A Slow-Moving Economic Storm in the States, and a Fast-Approaching Cliff

With the exception of a few states that were able to weather the downturn thanks to strong returns in agriculture and energy production, the great majority of states have been negatively impacted by the recession. While some positive signs suggest a resuscitation of the national economy, there is little evidence to suggest that a turnaround in state revenues is imminent.

States face rising health care costs, the need to replenish state pension programs funded by now-decimated investments, and additional spending requirements stemming from provisions associated with acceptance of federal stimulus monies. Increased Medicaid spending has been particularly problematic. States' enrollment in Medicaid grew by an average of 5.4 percent in fiscal year 2009, the highest rate in six years, according to a recent Kaiser Family Foundation report. To fund the increasing caseload, states' Medicaid spending grew by 7.9 percent, higher than the 5.8 percent projected growth. The current health care reform legislation pending in Congress that seeks to expand Medicaid coverage could add a further spending burden in states' commitment to the program.

The recession accelerated state budget deficits, many of which were already structural in nature—a product of both over- and misguided spending, as well as antiquated tax structures based on a 20th century consumer goods-based economy. States cut $102 billion to address budget shortfalls in closing out fiscal year 2009. They faced an additional $121 billion shortfall for fiscal year 2010. Already, more than half of states are anticipating deficits for fiscal year 2011. Even with the help of federal stimulus monies, 41 states had budget deficits prior to closing out fiscal year 2009. Several states have been forced to re-open enacted budgets to perform reduction triage mere weeks after passing fiscal year 2010 spending plans.

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Characteristic to a post-recession recovery, states' tax receipts are slow in rebounding. By the second half of 2009, states' collection of sales, personal-income and corporate taxes had witnessed the biggest drop in 50 years. Despite revenue estimates based on low expectations, revenues are continuing to come in below anticipated levels in a majority of states. Personal income tax revenues, which on average comprise about one-third of state revenues, are down more than 25 percent in many states. In Arizona, revenue generated by the personal income tax had declined a shocking 55 percent from the year prior at one point.

Even gambling revenues, typically a safe bet even during recessions, are contracting. Proceeds from casinos and lotteries declined for the first time ever in fiscal year 2009. This unfortunately coincides with an expansion of gambling operations among states in efforts to boost revenues. States that have relied on gambling revenues the longest have been hit the hardest, among them Illinois, Nevada and New Jersey.

The American Recovery and Reinvestment Act (ARRA)—the federal stimulus package passed by Congress in February 2009—has served as a temporary fiscal lifeline for states. The legislation included significant monies for states to address revenue shortfalls that are running concurrent with increased spending demands, such as for Medicaid and state unemployment benefits. In the second quarter of 2009, stimulus money had displaced, albeit temporarily, sales and property taxes as the number one source of revenue for state and local governments. This lifted total revenues 7.5 percent and countered an 8 percent drop in tax collections during that same period, according to the Bureau of Economic Analysis.

Included in the $789 billion package was a $54 billion State Fiscal Stabilization Fund (SFSF) for states to shore up shortfalls in their K-12 and postsecondary education budgets for fiscal years 2009, 2010 and 2011. The Act stipulates that the U.S. Secretary of Education can distribute $5 billion of the fund to target specified "education-related" activity. Of the remaining $48 billion, 82 percent, or $40 billion, is designated to fill funding gaps in state budgets for K-12 and postsecondary education. The remaining 18 percent, or $9 billion, is designated for a Government Services Fund to be prioritized at the discretion of the state's governor. An AASCU-conducted analysis of governors' discretionary use of these monies shows that public safety was the priority investment area, followed by K-12 education and higher education.

As devised, the federal stimulus monies are supposed to be utilized by states to address budget gaps for fiscal years 2009 through 2011. An AASCU analysis of U.S. Department of Education-approved state applications shows that collectively, states intend to spend a full 86 percent of the State Fiscal Stabilization Funds by the close of fiscal year 2010, which ends on June 30 for all but four states. Meanwhile, most state budget officers agree that tax revenues will not rebound by mid-2010 to levels needed to sustain the current level of state services and obligations, setting up a potentially severe funding cliff.

To remedy budget shortfalls, states have turned to a number of strategies, most of which reflect spending reductions as opposed to revenue enhancements. Several states have tapped, or fully drained, their reserve accounts—so-called "Rainy Day" funds. Agency staff reductions and pay freezes, cutbacks in police and fire protection, closure of state parks and the selling of state assets have been commonly used strategies. Another popular cost reduction tactic applied by many states has been the use of furloughs for state employees, in which they must take a specified number of unpaid days off. In addition to rescissions in higher education funding, many states have cut spending on state-run student loan forgiveness programs and student grant aid and scholarship programs. State student loan guarantee programs, as well as state pre-paid and 529 savings programs, have also been battered by the recession.

Despite large budget shortfalls, few state legislatures have resorted to substantial tax and fee increases. To date, lawmakers have been more apt to stomach increases in "sin" taxes—those associated with tobacco and liquor sales and gambling—as opposed to raising more visible and politically sensitive personal income, sales and corporate income taxes. Lawmakers have also opted to turn to "fee" (as opposed to "tax") increases on less visible options such as motor vehicle registrations in order to avoid angering taxpayers.

States face a long way back to solvency. Meeting Medicaid obligations, finding money to provide for unemployment benefits, and shoring up state pension programs that lost nearly $1 trillion in the stock market are among the many difficult issues state lawmakers are working to address. And with current tax structures in place, many state budget officers do not foresee revenues returning to pre-recession levels until 2014.

A Hastened Shift in Public Higher Education Financing

The current economic downturn is speeding up the shift in who pays for a public college education—from the states to students and families. Twenty-five years ago, tuition income represented 23 percent of public postsecondary institutions' operating revenues, with the balance covered by state and local appropriations. By fiscal year 2008, the figure had reached 36 percent. The proportion of state and local tax revenue allocated to higher education has actually declined in the past decade. States' spending on higher education is being squeezed by other priorities; some states spend more on prisons than on their higher education systems.

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States' higher education spending is clearly susceptible to the ebb and flow of revenues associated with economic downturns. Over the past 25 years, state appropriations have rebounded following major recessions on two occasions, recovering to levels that exceeded previous support. As measured by educational appropriations per full-time enrolled student (FTE), state funding for higher education took a hit during the 2001-02 recession, reaching a 25-year low by 2005 (indexed for inflation), according to the State Higher Education Executive Officers (SHEEO) organization. Some gains in state spending were apparent in 2006 through 2008, but as of 2008 had not returned to inflation-adjusted levels of the late 1990s. Thirty-one states made mid-year appropriation reductions to higher education in fiscal year 2009, according to the National Association of State Budget Officers and National Governors Association. For fiscal year 2010, 28 states proposed cutting taxpayer support for state colleges and universities (not including federal stimulus monies).

While state operating support is being sharply reduced, enrollment is surging at many state colleges. In some instances, such as throughout California's public postsecondary sector, thousands of students have been denied classes due to fiscal limitations such as not having enough money to hire instructors. The situation is especially pronounced in the West. In addition to California, Oregon, Washington, Nevada, Utah and Arizona have seen dramatic state higher education funding reductions and increasing enrollment. In Utah, for example, student enrollment in the public four-year university system has increased 17 percent in 2008 and 2009 combined while funding has been cut 17 percent, reflecting $1,300 fewer state dollars invested in each full-time student. Federal stimulus monies helped mitigate about half the cuts, but state re-investment is unlikely once those dollars are exhausted. To offset the cuts, Utah's state colleges increased tuition by about 9 percent. The increase would have had to be 42 percent to restore revenues lost from state funding reductions.

The Western states' predicament of increasing enrollment with less state funding is being replicated across the country. The 45 institutions in the Tennessee Board of Regents system will be operating on state budgets in 2010 that are a full quarter less than in 2007. Rhode Island's three state colleges have seen a 20 percent decrease in funding over the past four years while simultaneously enrolling 7 percent more students. The recession's impact on college access and affordability has been especially pronounced in California, where funding for public higher education has been slashed by 20 percent over the past year. In response to a $564 million state funding reduction, system wide enrollment at the 23-campus California State University (CSU) system is being reduced by 9 percent, or 40,000 students, over the next two years. Meanwhile, the system has received more than 266,000 applications for fall 2010 admission, a 53 percent increase from the same period the year prior. Those fortunate enough to gain admission to what has historically been one of the most affordable public university systems in the country face significantly higher tuition prices.

Monies provided to states via the State Fiscal Stabilization Fund included in the federal stimulus legislation has helped avert more brutal higher education funding cuts in the current fiscal year. However, recognizing that these one-time dollars will soon be depleted, public college leaders are planning for further reductions in public funding for at least the next few years, despite national economic growth in the near term.

Hitting Marrow: Institutional Responses to the Recession

Few higher education institutions have been spared by the recession, with even the likes of Harvard and Stanford cutting millions in spending due to significant endowment losses. Seeing the economic storm clouds on the horizon, public college leaders began proactively cutting costs well before recession-induced state funding cuts took hold and have now entered a period of prolonged retrenchment. For many institutions and systems, the current reductions in state support simply represent another series of curtailment efforts, reflecting a perennial backslide in publicly funded operating support that has come no where close to supporting increases in student enrollment and key costs such as energy and health care.

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Among common cost-cutting options being utilized are: laying off staff; ordering furloughs; leaving open positions unfilled; instituting early retirement buy-out plans; utilizing more adjunct faculty; increasing class sizes; eliminating low-enrollment programs; consolidating departments; reducing travel; and striving for greater administrative efficiencies in both operations and staffing. While these are largely tried and true strategies, they are still painful.

A consistent theme in the seemingly endless round of budget cuts is an effort to protect the academic core and not diminish the quality of the central activity—teaching and learning—that takes place on campus. At this point, given the magnitude of recent reductions and the compounded insufficiency of state operating support for public higher education institutions, there is growing evidence that academic quality *is* being sacrificed. Since colleges have already cut costs on peripheral aspects of campus operations, continued state funding reductions are starting to hit bone. Classes are fewer, larger, and in many cases, essential student services are being reduced or eliminated. This cannot help but affect student retention and academic success in the future.

State Colleges In Tough Straits, Yet Critical to Achieving National Ambitions

As America's state colleges reel from the recession's impact, they are simultaneously being called upon to serve as lead actors in strengthening the nation's global competitiveness. Much has been made of America's slide from first place in terms of the educational attainment levels of its citizens. President Obama has called for the U.S. to regain its former educational preeminence—specifically, once again having the highest educational attainment rate in the world by 2020—and has proposed several ambitious policy changes and new programs to do so. Major non-profit entities such as the Lumina Foundation for Education, the Bill and Melinda Gates Foundation, Jobs for the Future, and the State Higher Education Executive Officers (SHEEO) have launched similar efforts.

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Workforce data bolster the argument for the need to increase the number of Americans with a college education. Over the past four decades, workers with a high school diploma or less dropped nearly 50 percent in the share of all U.S. jobs they held; during this time the share of workers with a bachelor's degree or higher tripled, according to an analysis by the Center on Education and the Workforce at Georgetown University. Meanwhile, real earnings have increased by 19 percent for college graduates in the past 25 years, and have simultaneously declined by 1 percent for high school graduates. Clearly, America's future economic prowess largely depends on growing a high-knowledge, high-skill workforce equipped with post-secondary educational credentials.

To reclaim the top spot in educational attainment in the decade ahead, the U.S. will have to annually produce upwards of a million more postsecondary degrees. Yet the latest college enrollment and graduation projections by the National Center for Education Statistics (NCES) suggest that the U.S. may actually lose ground by 2018. College enrollment is projected to grow 13 percent during this time frame, but the overall U.S. population is projected to decrease by 13 percent. And while two- and four-year degree production is anticipated to grow by 25 percent and 19 percent respectively, this actually represents a slowing in the pace of degree expansion from the past 15 years. This challenge is exacerbated by the demographic realities of enrollment growth. In the decade ahead, college enrollment is projected to increase by 38 percent among Hispanic students, 26 percent among black students, and only 4 percent among whites. When viewed in the context of the current college graduation rates of these groups—49 percent for Hispanics, 42 percent for blacks, and a still abysmal 60 percent for whites—it becomes clear that without major efforts to improve college preparedness, participation and success for these underrepresented but growing populations, it will be extremely difficult to reach national educational attainment goals.

The U.S. has long benefited from the in-migration of foreign-born college-educated adults and from retaining those who come to the U.S to receive a college education. However, as countries like South Korea, Singapore, China, India and Hong Kong invest heavily in their own higher education systems, the flow of foreign students to the U.S. has decreased. In 1970, 29 percent of the world's college students were enrolled in the U.S., which had 6 percent of the world's population. By 2006, the U.S. enrolled only 12 percent of the world's students, according to a study conducted by Harvard University economist Richard B. Freeman for the National Bureau of Economic Research.

FACING NEW REALITIES: CRUCIAL CONSIDERATIONS FOR STATE COLLEGES AND UNIVERSITIES

It is clear that the current recession is much more than a typical downturn, one that can be patiently ridden out in hopes of more friendly conditions ahead. The extent of the current fiscal stress facing state colleges is historic, as are the high stakes, for these institutions are integral to America's economic competitiveness and cultural vibrancy. The magnitude of competing pressures, compounded by high public expectations, requires new approaches for how state colleges fulfill their vital roles in an environment indelibly changed by the recession.

To paraphrase a common axiom, "a recession is a terrible thing to waste." The reality of the current urgency beckons the need for bold action to position institutions for a stronger way forward. A return to prior "normal" conditions is unlikely. A "new normal" must be reached that reflects current and future conditions, including a likely continued state disinvestment in public postsecondary education. Other factors are exacerbating state colleges' need to conduct a strategic reassessment, among them a shifting higher education marketplace, increased price sensitivity among consumers, changing consumer preferences and changing student demographics. These dynamics, in conjunction with the recession's already bitter consequences, call for state colleges to embark on more than a bridging exercise. Those who shape

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and carry out institutional agendas must capitalize on the challenges that this recession has presented. What follows are a few approaches to consider in positioning state colleges for sustained growth and vitality in a post-recession America.

Driving a Student and Learning-Centric Change Agenda

It has been said that it is easier to change the course of history than it is to change a history course, a testament to the lackluster pace of transformation often demonstrated within the academy. The new environment state colleges are operating in, however, leaves little doubt that a fundamental reexamination is a prerequisite for both short- and long-term institutional sustainability. Appraising an institution's need for and ability to implement change may include a wholesale review of the academic core and an unfettered examination of organizational and governance structures, principles, tenets and policies that may be based on past realities. Building a campus culture that has a predisposition toward and capability for implementing change is vital.

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Specifically, in assessing how to best position state colleges for growth and mission fulfillment in this new era, it is important to develop an orientation that is sharply hued toward the student experience. The extent to which expectations are met and experiences are fulfilled can serve as a barometer for how well institutions are serving today's student-consumer. Fully understanding today's undergraduate student experience can provide great insight into how the core activity of teaching and the core product of student learning can be improved. Paying careful attention to students' behaviors, aspirations and expectations can greatly focus institutional priorities.

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This consideration of student experiences and outcomes can enhance state colleges' ability to deliver a quality education to an increasingly diverse consumer base that has a fast growing portfolio of educational options from which to choose. Much can be learned from the recent expansion of for-profit institutions, such as what student- and learning-centered aspects of thriving enterprises (e.g., the University of Phoenix) can be emulated without diminishing the scholarship-focused and character-building activities crucial to the traditional state college undergraduate experience.

The new economic context, combined with a domestic higher education marketplace remarkably ill equipped to enroll and graduate the changing demographic necessary to ensure the nation's competitiveness, requires reassessing the motives on which institutional aspirations are based. There is plenty of evidence that institutional behaviors induced by college rankings, for instance, are in direct odds with U.S. educational attainment goals. Too many schools are boosting admissions selectivity, turning aside otherwise sufficiently academically capable students. Too many schools are giving in to research envy at the expense of undergraduate teaching and learning. Preserving the state college mission need not require tempering institutional ambitions, but it will require carefully crafting the balance between—and scope and depth of—teaching and research.

Mission Fulfillment Through Public Purpose

In addition to using the student experience as a portal through which institutional values are affirmed and priorities established, the public purpose that is a legacy of the state college mission can also serve as a guiding compass during this period of recessionary upheaval. Decreased state support need not diminish state colleges' roles as "stewards of place." On the contrary, a deeply integrated network of partnerships with private, non-profit, philanthropic and local governmental entities for a public purpose can sustain state colleges' ability to deliver on their historic commitments to public engagement.

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Reassessing institutional priorities through the prism of public purpose can affirm core values and lend definition to the fundamental role state colleges play in their communities. This requires bringing to bear the entire slate of resources—human, intellectual, technical and physical—to advance regional interests, to identify solutions to problems and to confront challenges.

State colleges will increasingly be viewed by how they serve their various publics. Given the erosion in their financial commitment, states themselves are becoming minority stockholders in their state colleges. School districts, hospitals, employer and business coalitions, neighborhood groups, environmental organizations, and religious organizations reflecting all faiths will continue to evolve as critical stakeholders with a vested interest in the vitality of their local public colleges.

Strengthening of the public purpose role of state colleges does not necessarily mean an increase in the one-way flow of financial resources away from campus and to the community. Agenda setting in an era of constrained fiscal resources and which incorporates institutional public engagement requires close scrutiny of all spending and an eye toward community partnerships that share both risk and reward. State colleges' stewardship of their communities is both a rational and moral obligation, for these campuses and communities are socially and fiscally interdependent.

The public engagement activities articulated by the AASCU Task Force on Public Engagement in the 2002 AASCU publication, *Stepping Forward as Stewards of Place*, serve as an enduring reminder of the bedrock role state colleges fulfill in their communities. These include conducting applied research into community problems; providing technical expertise and consultation by faculty, staff and students in response to both problems and opportunities; coordinating service learning projects that benefit people and the environment; serving as a neutral venue for the discussion of issues of vital public concern; and assessing current public policy and offering recommendations for improvement.

Fulfilling mission-critical activities through both the lens of the undergraduate experience and the public purpose mission can and should be mutually inclusive approaches. Infusing civic engagement into the undergraduate experience improves the community and provides graduates with a heightened sense of and commitment to civic engagement as they embark on their careers in communities throughout and beyond their respective states.

Perhaps more than any other entity, state colleges serve as the conduit for leading positive change that transcends educational opportunity, healthcare, job creation, environmental sustainability, arts and culture, and the attraction of diverse people; all elements which give rise to the Creative Class and lead to strong, healthy communities. In a post-recession era that will likely witness a continued diminishment of adequate state investment in public postsecondary education, state colleges may well become further defined by—and supported for—this public purpose.

Strategic Prioritization and Resource Realignment

Reviewing mission-critical priorities, implementing strategic cost reductions and enhancing revenue drivers are critical to improving state colleges' capacity to fulfill their missions in the post-recession era. Conducting a comprehensive and focused review of institutional programs and services, prioritizing institutional strengths and jettisoning nonessential programs are integral to improved positioning. Strategic reallocation to reinvest in core programmatic strengths is essential. Cuts should be made strategically—with a scalpel—not a machete.

Recession-induced state funding cutbacks have elevated both the need and urgency for state colleges to reduce operational costs. A 2008 AASCU study on state college cost containment efforts revealed considerable success in identifying and implementing cost saving measures. Top sources for savings included energy management measures, participation in purchasing consortiums, reducing facility operating costs, and implementing efficiencies in auxiliary units such as student food service and residence hall operations. The study found, however, that while cost containment is a high priority among those surveyed, the task itself remains insufficiently focused, lacks administrative coordination, and has largely been limited to a focus on business operations.

Additional efforts to reduce and reallocate spending associated with academic program delivery are essential, especially given that a majority of institutional spending takes place in this domain. Protecting the integrity of the core academic enterprise must always remain an overriding principle in the quest for cost savings and efficiency. However, reviewing course loads and course offerings and consolidating—and discontinuing if justified—academic programs is also necessary. The expansion of online curriculum delivery and the utilization of adjunct (part-time) faculty have proven popular methods for reducing costs. These approaches offer the opportunity for considerable savings, but the risk of degrading academic quality must also be considered.

A strategy that has borne significant results and may be replicated elsewhere has been technology-enabled course redesign, pioneered by the National Center for Academic Transformation. This has shown to reduce per-enrollment costs while improving student learning outcomes. Other cost reduction options that may be more palatable—and necessary—given the severity of current fiscal pressures include reconfiguring the academic calendar to make greater use of Fridays, weekends and the summer months; reducing faculty sabbaticals; using more students to fill roles traditionally held by full-time staff; collaborating with other institutions in joint program delivery; and leasing buildings rather than constructing new ones.

Positioning state colleges for growth in an age of state funding reductions requires a two-pronged strategy of cost reduction and revenue enhancement. Aggressively pursuing additional revenue streams beyond the two primary traditional sources of state appropriations and tuition is critical. Examples include increasing philanthropic fundraising efforts and developing a proactive and entrepreneurial approach to partnerships with other public, not-for-profit and private sector entities. Also, outsourcing auxiliary services to vendors and other name brand enterprises can turn money-losing internal operations into profit centers, providing resources to be reallocated to more mission-critical activities.

Identifying collaborative opportunities for capitalizing on campus assets—human, intellectual, physical, technological and monetary—is vital to future fiscal sustainability. Revenue generating strategies include leasing extra space on campus for start-up companies to hire place-bound student workers, matching excess instructional capacity with excess demand across state boundaries, and expanding programming to include a broader array of online, professional certificate, and executive education. Incentivizing greater instructional flexibility for faculty to bring programs and services to underserved markets can also drive revenues, such as providing instruction and professional training in corporate or industrial workplace settings.

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Ramping up grant acquisition efforts can help state colleges deliver on their public purpose missions and enhance educational programs, while expanding their revenue options. Supporting and incentivizing selected campus units to apply for governmental and non-profit grants can bolster institutional abilities in addressing regional needs and create learning opportunities for students. With proper systems and policies in place, a focused and sustained grants development program can serve to augment, rather than burden, administrative overhead.

Through its research funding and sponsored programs, the federal government is a vast resource for funding opportunities that address virtually every aspect of the state college mission. Increased funding as a result of the federal stimulus package and the Obama administration's recognition of education providers as critical drivers of social mobility and economic development place state colleges in a good position for increased partnerships with federal agencies. The Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, and Labor offer an array of sponsored programs. Other sources include the Environmental Protection Agency, NASA, and the National Science Foundation. A growing number of private foundations with missions centered on advancing educational opportunity, promoting greater economic sustainability and strengthening communities are also potential grant-making sources.

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Federal grants are not just the province of research-intensive institutions; many sponsored programs are geared toward addressing issues and opportunities for which state colleges are exceptionally well positioned, such as job training, STEM (science, technology, engineering and math) education, neighborhood revitalization, small business development and environmental projects. The Grants Resource Center, a premium service of AASCU, is a rich resource for identifying sponsored programs and initiatives. Embarking on an ambitious federal grants agenda need not—and arguably should not—lead to institutional mission creep, especially for state colleges whose longstanding missions have been primarily centered on undergraduate education. Instead, an invigorated grants acquisition program should be focused to reflect niche programs and institutional strengths.

Given dramatic declines in revenues and the requirement to balance their annual budgets, states are hesitant to launch new programs that seek to benefit students or postsecondary institutions. This is not the case, however, at the federal level. Recently enacted legislation, as well as legislation currently making its way through Congress, pose significant opportunities for institutions to leverage additional resources. The Student Aid and Fiscal Responsibility Act (SAFRA) legislation includes elements of President Obama's American Graduation Initiative, which invests in two-year programs. The legislation calls for $3 billion over five years to be invested in the College Access and Completion Initiative Program, aimed at innovations in college student retention and completion. In addition to the one-time monies included in the American Recovery and Reinvestment Act of 2009 (federal stimulus package) for shoring up states' higher education budgets, the legislation also included $100 million for the Teacher Quality Enhancement Program. State colleges are well poised to tap these funds. In the coming year, the Workforce Investment Act (WIA) is scheduled to be reauthorized by Congress. The legislation may provide further opportunity for institutions focused on community, economic and workforce development issues. Through the annual federal appropriations process, institutions can explore avenues for creative projects through the Fund for the Improvement of Postsecondary Education (FIPSE).

State colleges can also increase their focus on and service to nontraditional student populations. For example, maximizing efforts to facilitate the educational and career ambitions of servicemembers eligible for Post-9/11 GI Bill benefits can contribute to meeting institutional enrollment goals while helping to serve an important population. This also utilizes the strengths of state colleges' public purpose mission and partnerships with local communities.

Promoting Public Accountability and Societal Value

Concern over rising tuition prices has led to greater calls by policymakers and the public for state colleges to be more transparent about spending and about undergraduate outcomes. State and federal lawmakers have been quick to include exhaustive reporting requirements—often duplicative and peripheral in nature—in legislation affecting postsecondary institutions. In state capitols, an absence of additional revenues may lead lawmakers to use regulation to fill the vacuum in their legislative agendas, using it as a club to spur greater institutional accountability. The substitution of regulation for appropriations, however, runs counter to what state colleges need in their current resource-scarce and hypercompetitive environment. Greater flexibility and autonomy is needed to allow state colleges to capitalize on revenue-generating opportunities, not additional regulatory red tape that stifles growth and efficiency.

As stewards of the public trust, state colleges must rightfully account for taxpayer and tuition dollars. These institutions have significantly—and voluntarily—amplified their efforts in recent years to more proactively convey key accountability measures to the public. Defining accountability in appropriate and understandable terms should be the task of institutions themselves. State colleges that do not take the lead in demonstrating transparency and accountability run the risk of having misguided measures forced on them that do little to convey their real value.

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Many institutions have significantly and voluntarily taken proactive measures to promote public accountability. Nearly two-thirds of the nation's public four-year universities have joined the Voluntary System of Accountability (VSA), a joint initiative of the Association of Public and Land-grant Universities (APLU) and AASCU. Through the VSA and its Web site, www.collegeportraits.org, institutions provide comparable student and family information, core educational outcomes and information on student engagement. Some especially proactive institutions are using the site as a means to convey additional "public good" contributions, such as the number of degrees granted in high-demand occupations and the percent of low-income and minority students enrolled. This transparent and user-friendly vehicle for making key data and outcomes visible will go a long way in demonstrating to various stakeholders the return on public investment generated by state colleges.

Being proactive, rather than reactive, in demonstrating accountability also allows state colleges to inform policy and shape perception on critical issues. For example, it is generally well established that institutional graduation rates, as measured using current national standards, greatly underestimate the actual number of students who graduate within a specified time frame. The undervaluing of contributions in degree production is especially pronounced for state colleges with access-oriented missions. Institutions can improve public understanding and mitigate calls for greater legislative oversight by providing more appropriate disaggregated measures and greater transparency. They need to work to explain what they accomplish, for example, by emphasizing the actual number of graduates produced as opposed to the graduation rate.

Increasing institutional accountability also makes good business sense in a marketplace flourishing with a remarkable array of educational providers. Touting students' learning outcomes and the knowledge and skill portfolio that comes with a given degree or credential will become increasingly vital. The ability to measure and explain all aspects of institutional effectiveness and build a culture of assessment is becoming imperative. Learning how to better link measurement with behavior, from system-level funding all the way through to faculty, staff and student performance will be an increasingly indispensible endeavor.

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When it comes to fiscal stewardship, state colleges can do much more to communicate their cost cutting, their reallocation of savings to more mission-centric pursuits, and accomplishments in efficiencies and productivity. Positive changes that have been heretofore unrecognized should be more assertively catalogued and communicated. And to hold state lawmakers accountable for the fiscal stewardship of their higher education systems, state college leaders should consistently educate legislatures on the history of successive state funding cuts. Legislative term limits can increase the chances of long-term memory loss when it comes to recognizing and understanding the impact of the gradual disinvestment states have made in their postsecondary education systems.

Finally, state college leaders must continue to relentlessly communicate the value of public higher education to their primary funders, lawmakers and taxpayers. These institutions should fully and proactively disclose their multiple contributions to the public good: workforce and business development, civic contributions, research accomplishments, knowledge and technology transferred to the community and society at large, and the full range of economic impact on the region and state.

CONCLUSION

This is an important moment in American public higher education. Those who shape, inform and carry out the leadership of America's state colleges and universities have much to consider as they steer their institutions through and beyond the current recession.

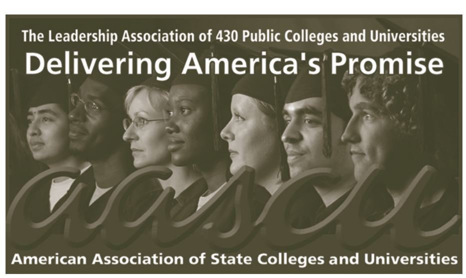
The economic downturn has both intensified and hastened the need to reaffirm institutional values, prioritize goals and realign resources to achieve them, and to account for and enthusiastically demonstrate the full value these institutions contribute to the greater good. Ensuring college affordability, maintaining academic quality, and fulfilling the public purpose of an engaged institution in an era of increasing public needs and fewer state resources beckons a reinvigorated sense of purpose, a recommitment to the state college heritage, and an orientation that places students and communities first.

Delivering America's Promise

AASCU's membership of 430 public colleges and universities is found throughout the United States, Guam, Puerto Rico and the Virgin Islands. We range in size from 1,000 students to 44,000. We are found in the inner city, in suburbs, towns and cities, and in remote rural America. We include campuses with extensive offerings in law, medicine and doctoral education—as well as campuses offering associate degrees to complement baccalaureate studies. We are both residential and commuter, and offer on-line degrees as well. Yet common to virtually every member institution are three qualities that define its work and characterize our common commitments.

- We are institutions of access and opportunity. We believe that the American promise should be real for all Americans, and that belief shapes our commitment to access, affordability and educational opportunity, and in the process strengthens American democracy for all citizens.
- We are student-centered institutions. We place the student at the heart of our enterprise, enhancing the learning environment and student achievement not only through teaching and advising, but also through our research and public service activities.
- We are "stewards of place." We engage faculty, staff and students with the communities and regions we serve—helping to advance public education, economic development and the quality of life for all with whom we live and who support our work. We affirm that America's promise extends not only to those who come to the campus but to all our neighbors.

We believe that through this stewardship and through our commitments to access and opportunity and to our students, public colleges and universities effectively and accountably deliver America's promise. In so doing we honor and fulfill the public trust.



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