

A Critical Juncture for Higher Education in the United States

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The financial data for 2009 and 2010 make it clear: higher education in the United States is at a turning point.

Enrollment demand has grown relentlessly for more than a quarter century, from 7.0 million in 1980 to 10.8 million in 2009, with no signs of stopping. Even with the substantial increases in state and federal funding for higher education, public financial support has not generally kept pace with enrollment growth and inflation. These trends have contributed to persistent increases in tuition and fees, and in some states, to subtle, less visible reductions in opportunity and quality.

The numbers are well documented by long-established studies of state higher education finance. This year Illinois State University and the State Higher Education Executive Officers (SHEEO) have combined forces in Illinois State's *Grapevine* study of FY2010 appropriations, released today, and SHEEO's soon to be released *State Higher Education Finance, FY2009*, which analyzes finance and enrollment trends more exhaustively. Both studies point to critical choices now facing educators and policy makers in the United States.

State support for higher education has been resilient, but inconstant. In every recession over the past 35 years, enrollments have grown, while state funding has not kept up with enrollment growth and inflation. During economic recoveries following recessions, states historically have "caught up" by providing more support. While the historical pattern provides reassurance and evidence of enduring public commitment, the current recession and a convergence of other pressures on states and the American economy have eroded the ability of states to rebuild their financial support for higher education. The resiliency of public financial support for American higher education is threatened, putting its quality and capacity at risk.

The decline of per student state funding was particularly severe following the recession of 2001-2002. A reasonably strong recovery followed from FY2005 to FY2008, but ended abruptly with the recession of 2009. In FY2009 state support fell by roughly \$2.0 billion to \$77.9 billion, offset by \$2.4 billion in federal funds to stabilize state higher education budgets. Continuing the long term trend, FTE enrollments grew by 3%.

In FY2010 state funding has fallen another \$3.0 billion to \$75.2 billion with federal funds raising the FY2010 total to \$79.4 billion, or about \$1.1 billion less than states alone provided in FY 2008. Enrollments meanwhile continued to grow even faster, in some states by more than 10%.

These national trends illustrate the fundamental dynamics of the situation, which affect every state. In some states, the situation is much worse than the national view -- severe budget shortfalls and unmet educational needs are reaching crisis proportions.

In summary, the dimensions of the current financial and enrollment crisis are:

- More than 5% of FY 2010 appropriations are underwritten with federal stabilization funds that in many states are exhausted, or nearly so;

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- State revenues have fallen at an unprecedented rate and a recovery will, at best, take many years according to the National Association of State Budget Officers; and
- Even with recent dramatic enrollment growth, current enrollments almost surely understate student demand, with many students who would otherwise enroll deterred by tuition increases and budget-driven enrollment caps and course cancellations.

But money and enrollment demand are not the only issues. Public higher education, and education at every level, must improve its effectiveness in order to help Americans meet the challenges posed by the aging of America's best-educated cohort and by a global economy where other nations are gaining on or passing the U.S. in educational attainment.

The United States still enjoys a reputation for the world's finest system of higher education, but that reputation is based disproportionately on the achievements of students and faculty at our most prestigious, selective, and most generously financed institutions – which enroll fewer than 10% of our students.

Considered broadly, our educational system does not function at the level required for national success in the 21st century. Public schools have a shortage of highly qualified teachers able to prepare students to succeed in postsecondary education and the workplace; businesses, constantly searching for more employees with greater knowledge and skill, invest substantial sums in employee education and training; and far too many students fail to realize their potential at every level of the system from elementary school through college.

These are serious and complicated problems. We can and must solve them. They *will* be solved, not by throwing money at them or by wishful thinking, but by confronting the fundamental issues of growing educational needs and limited resources. No country has ever improved the quality and scope of its educational system by persistently reducing its budget. While some may wish this were possible, it is not. Nor can colleges and universities improve their quality and scope without focusing on essential priorities and working to achieve productivity gains.

The United States is a rich nation in expertise and intelligence, as well as economic power. With our financial and intellectual wealth, we have no excuse for failing to achieve this critical national priority – educational excellence at scale. But our wealth is not unlimited, and the demands on the national economy are enormous. We must have a more productive and effective educational system.

Complacency about the adequacy and quality of public higher education puts the future of the American people in jeopardy – economically, intellectually, morally. Public higher education is not an optional priority. The fundamental well-being and future prosperity of the United States depend on a reinvigorated partnership between the public and higher education and an unwavering commitment to educational excellence and widespread student success.