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**Abstract:** Discusses the budget problems of colleges and universities in the U.S. Status of state support to higher education in 2002; Consequences of revenue shortfalls; Factors that led to budget cuts in education.

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## Will Budget Troubles Restructure Higher Education

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**Sweeping new cuts in higher education funding promise to transform our professional lives. They also promise new challenges for liberal education.**

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Whether you are at Paradigm State or Model College, you are most likely in the initial stages of what may be one of the most significant changes in higher education in the last thirty years. After decades of fighting for the university in ideological wars, we have been blindsided by the stock market. Drops in the market have wiped out investment returns and caused tax receipts to fall far below projections, leaving some forty states with midyear budget shortfalls that resulted in cuts for public institutions.

The first states to feel the impact of the 2002 recession were those that rely heavily on sales tax and percentages of federal income tax for their revenues; problems also have developed, albeit more slowly, in states that depend on property taxes or oil and mineral rights. According to a fiscal survey reported by the National Conference of State Legislatures, the total amount of individual income tax collected by the states in April 2002 was about 29 percent below the amount collected in April 2001. Estimated federal tax collections for the first quarter of 2002 are running nearly 27 percent behind 2001 figures for the same period.

Finances at private colleges and universities did not take so public a nosedive, but earnings on the endowments essential to the fiscal health of these institutions skidded into the cellar. In November 2002 Duke and Stanford Universities, among the wealthiest private universities in the nation, announced budget cuts. Stanford foresees as much as an 8 percent cut in expenditures, and may cut some personnel. Budget cuts as deep as those projected at many institutions can have a significant impact on academic priorities. Among the most vulnerable programs may be those in the liberal arts, especially the humanities and social sciences.

Although the liberal arts are considered the core curriculum, these areas may find themselves under acute pressure in competing for funding with disciplines that can attract large grants or corporate money. The shock of where we find ourselves is magnified by its contrast to where we thought we were just a little over a year ago. My university, perhaps like yours, had adopted an ambitious "2020 vision" statement outlining goals for the next twenty years. The legislature had already approved, for 2001--02, one of the best budgets we'd seen in over a decade. Campus talk was about raises that would bring our salaries up to the level of those at comparable institutions, new money to invest in priority programs, and what we could do with the \$200 million endowment gift we'd recently received. A year later, at the Lincoln campus of the University of Nebraska alone we have cut over \$17 million from the budget, eliminated or reduced about a dozen programs, and dismissed well over a hundred people, so far sparing all tenure-track faculty. Chances are that your institution has been doing the same thing.

How did this happen? Revenue collections began to fall behind budget projections months before September 11, 2001, and they fell even further behind after terrorism became part of our economic reality. For institutions that could not make sufficient cuts from the current budget, the worst is to come in 2003. State budgets still to be drafted for the next few fiscal years will be cut to the measure of the current shortfall. The AAUP's Annual Report on the

Economic Status of the Profession noted that salary increases were good in 2001-02, but in 2002-03, increases that had already been approved were rolled back to zero at some institutions.

## Continuing Developments

Because this story has been unfolding state by state, institution by institution, and month by month, we are just now at a point to assess what happened to higher education funding in 2001-02. On January 18, 2002, the Chronicle of Higher Education reported that state support for higher education in fiscal 2002 rose by 4.6 percent, "the smallest such increase in five years." This story measured only the tip of an iceberg. An April 16 update from the National Association of State Universities and Land Grant Colleges reported that forty states had been affected by declining revenues and that cuts in 2002 state budgets would be more than \$27 billion. The National Governors Association last summer estimated that the cuts will be closer to \$50 billion. In thirty-three states, spending has exceeded the available budget for 2002; six states have gaps between their spending and available funds of more than 10 percent, and seventeen have gaps of more than 5 percent. Twenty-nine states plan to cut funding for higher education.

The consequences of these revenue shortfalls are just beginning to shake out. For example, the Chronicle reported in January 2002 that the University of Iowa faced a 10 percent budget cut; in May the Iowa legislature convened a special session to trim another \$216 million from the 2002 and 2003 budgets. The state of Florida is \$1 billion short, and the cut to the University of Florida budget is about \$36 million for fiscal 2002. Virginia apparently took a similar drubbing; a state deficit of \$5 billion resulted in a \$58 million cut--between 7 and 8 percent--to the University of Virginia budget for 2003 and 2004. When I called a colleague at the University of Minnesota to apologize about a canceled interview, she assured me that she understood and that her institution was facing cuts, too. Those cuts wound up being \$33 million. The University of Missouri's budget reduction is a whopping 18.9 percent of the 2001-02 budget, a figure to which it was impossible to adjust in the six weeks left in the fiscal year when the reduction was announced. The University of Wisconsin system suffered a \$44 million cut. The Nebraska legislature cut the university's 2001-02 budget by 3.5 percent in January 2002 and reconvened in late July to cut another \$15 million from the 2002-03 university budget.

Almost every week in the first six months of 2002, the Chronicle ran items about budget shortfalls at places like the University of Massachusetts, North Carolina State University, the University of Tennessee, Dartmouth College, and the University of California.

What is happening? Cuts in state budgets for higher education must be put in a national economic context. The downturn in the economy is no short-term reaction to September 11. A series of corporate scandals have undermined public confidence in the market, which rallies and then falls, and then falls again. Personal debt is growing. Our own faculty retirement accounts have lost value, with the result that some faculty who had planned to retire in the last two years have not done so. New threats of terrorism keep us all on edge and keep the economy in a state of high anxiety. Talk of a war on Iraq darkens all our horizons.

These circumstances do not necessarily mean a new depression is upon us, but the unprecedented ten-year cycle of economic growth between March 1991 and March 2001 has come to a screeching halt. On November 18, 2002, 1,039 days had passed since the index of thirty blue chip stocks in the Dow Jones industrial average reached their market high on January 14, 2000. That marks the longest bear market in Wall Street history since the period between September 1929 and July 1932. According to Securities and Exchange Commissioner Paul Atkins, the string of accounting failures at such big companies as Enron, WorldCom, and Tyco International caused a \$5-trillion drop in market value--or nearly \$60,000, on average, for every U.S. household.

The era of steady expansion in higher education that began after World War II seems to have finally come to an end. The basic U.S. economy is sound and will, I think, steady us and the world's economy over the next five to ten years, unless, of course, a wider war divides the globe and interrupts trade--and our oil supply. But the current adjustment to our market equilibrium means a sustained period of gradual recovery. At best, the stock market may eventually yield the moderate rates of growth that were characteristic of the economy after World War II up until the last 120 months. Even a healthy market recovery will not end the problem, since states are also facing rapidly increasing costs in Medicaid and other federally mandated expenditures. We now know that the inspiring market highs of a few years ago were often based on false accounting and were never the fiscal reality. In short, recovery is not imminent, and there is no quick fix to higher education's budget problems.

Prospects for resolving budget problems by increasing taxes or tuition are limited. Tax increases, never popular, generate even more opposition when unemployment is up, wages are down, and people have suffered real losses in income. In response to budget cuts, many colleges and universities raised tuition, often by more than 10 percent. But tuition cannot rise indefinitely without impeding access to education. College tuition has increased so much that little room exists for further increases, in either public or private institutions, without triggering a parental revolt. Endowments will not be able to make up the difference with scholarships, and the substantial debt that most

students now carry at graduation will take longer to pay off.

At the same time that funding for higher education is decreasing or remaining flat, the number of students seeking admission will increase. We will be asked to teach more undergraduates with fewer faculty and smaller operating budgets. Chances are that these students, facing uncertain futures and wanting job skills, will favor a more "practical" curriculum than the liberal arts education we have placed at the center of general education requirements. A recent report issued by the Association of American Colleges and Universities called for such a practical liberal education to meet the needs of a populace approaching universal access to higher education. While the report's depiction of practical liberal education does not differ radically in its ultimate values from traditional liberal education, it emphasizes teaching intellectual skills rather than mastery of particular fields of knowledge. Whether from within or without, the academy will feel more urgently the pressure to balance the public's vocationally oriented needs with the faculty's intellectual approach to curriculum. If we don't find adequate ways to teach these students, for-profit institutions, many of which stress vocational skill training over the liberal arts, will step into the breach. The May 10, 2002, issue of the Chronicle reported that the value of stock in the top ten for-profit education companies was up, in some cases by as much as 12 to 28 percent. Several such companies reported increases in enrollment, and one, the University of Phoenix online, reported an 84 percent increase in enrollment.

Faced with significant budget cuts, the University of Wisconsin attempted to deal with the pressure to teach more students with less money by ceasing to admit new students. The legislature responded with threats of yet deeper budget cuts. Public institutions are constantly balancing the pressures of public demand against the maintenance of academic standards. Academic freedom and tenure may be at risk as our institutions determine how to manage with reduced funding. Faculty need to articulate how learning should take place and the best ways to carry out our work as teachers and scholars. Finally, however, we have to recognize financial reality and what that may mean for teaching loads, class size, and research support. State legislatures are going to have to decide how much quality of education they can, or will, provide the citizens of the state. Funding for higher education will be balanced in the legislature against funding for K-12 education, Medicaid, and human services for some of the most needy people in our society.

The economic difficulties in our universities will also affect the career ambitions of our graduate students. An already tight job market will see an overall reduction in the number of available positions. Many institutions have already implemented spending freezes; others have cut back on hiring. David Laurence, director of the Association of Departments of English within the Modern Language Association (MLA) estimates that the total number of English positions advertised in fall 2001-02 was reduced by 15 percent by canceled searches. The number of available positions in 2002-03 is likely to be as low or lower, since most universities have little to cut except tenure-track lines. In addition to reducing tenure-track positions, cutting tenure lines also eliminates the temporary savings that accumulate between the time a line is vacated and when a new hire arrives. In many institutions, this temporary savings is what pays for part-time and temporary faculty.

## Difficult Choices

The prospect of long-term budget constraints requires us to think about program elimination, the most traumatic and irreversible form of downsizing. Unless both administrators and faculty are deeply committed to the concept of tenure, program elimination often leads to the dismissal of tenured professors. In recent decades, few reputable universities have tried to fire tenured faculty to accommodate a budget cut. The exceptions, such as the attempt by the president of San Diego State University to dismiss 111 tenured faculty and 34 probationary faculty in 1992, were disastrous for many of the affected faculty and for the reputation of the administrators and the institution. Though the SDSU dismissals were ultimately rescinded, many senior faculty had already retired or sought employment elsewhere. (The report of the AAUP investigation of the case was published in the March-April 1993 issue of *Academe*.) If programs are to be eliminated, it will be essential to have good faculty governance procedures or contract provisions in place when the process begins and to insist on following them.

The structural changes we face may constitute a change in a department's mission and even a change in a discipline's sense of itself. Thirty years ago, a teaching load of three courses in each semester was conventional in a humanities department at a research university, and faculty at most liberal arts colleges taught four courses in each semester. In the last few decades, teaching loads in universities have been reduced to provide faculty with more time for research. In the 1960s and 1970s universities began to attract more research dollars and enhance their wealth and prestige by winning federal and corporate grants. Scientists with research grants that brought in revenue taught less, and teaching loads in other disciplines went down in later years to allow faculty more time for research. As recently as a few years ago, teaching loads in many research universities dropped to two courses a semester or fewer, although many faculty at liberal arts colleges still teach four courses a semester, and some institutions even define full-time teaching as five courses a semester.

Whereas reduced teaching loads in the sciences were often funded by research grants, either directly or indirectly, reduced teaching loads in the humanities were rarely tied to obtaining large grants. Instead, universities met the cost of the reductions in the humanities by employing more teaching assistants and part-time faculty to teach the

courses that tenure-track faculty were no longer teaching. Releasing faculty from teaching so many lower-level courses when admissions were steadily growing in turn created the need for large graduate programs, even in areas where we knew that the state of the job market meant that almost half of the students would not find tenure-track jobs. Funding research time in the humanities allows an institution to hire good faculty and enhance its national reputation. If that meant good ratings in the National Research Council rankings, or even U.S. News and World Report, it paid off in the end by attracting enrollments, top students, and new grants. Under budget pressure, will this support for research in nonscience fields continue?

If we must adjust teaching loads or class size to accommodate having fewer faculty, then we must also think about adjusting the requirements for tenure and promotion. At a time when many institutions require a monograph for promotion and tenure, the outlets for book publication are diminishing. Since books are more important for promotion in the humanities than in the sciences, some liberal arts disciplines are at special risk of having tenure candidates who lack the publication record they need to be successful.

Two areas that often suffer when university budgets get tight are library acquisitions and university press subsidies. Most university presses in the United States are fighting red ink and beginning to think like businesses that must pay their own way. Some of them will not survive, and all of them are cutting back on books that don't sell well. Many are diversifying into nonscholarly areas that were previously the domain of commercial presses. Libraries, with spiraling subscription costs for journals, especially in the sciences, have cut back their purchases of books and journals.

If there is a silver lining in this dark cloud of troubled university presses, it may be in the challenge to find new ways to present scholarship and to develop more reasonable expectations about the number of publications needed for a strong tenure file. The inflated expectations for publication of the last twenty years have not been healthy for the profession. The job market and tenure pressure have spurred premature publication by graduate students and young assistant professors, distorting the professional balance we should encourage in probationary faculty. We cannot run our departments without faculty who combine teaching, research, and service, but promotion and tenure expectations have driven us to protect junior faculty from the teaching loads we need from them and from the service that ensures that faculty governance will survive. We often blame the administration for raising tenure standards, but the faculty is also guilty of buying into the new publication demands, and votes accordingly on tenure and promotions decisions. Perhaps we may define a saner expectation for promotion and tenure, one with a substantial if shorter list of publications that reflects ideas that have matured before appearing in print.

One budget-reduction approach under discussion at some institutions is the reorganization of traditional departments into larger structures such as a division of humanities, or a department of languages and literature. Last spring, the MLA held a special conference on the relationship between departments of English and modern languages. English departments are almost universally understaffed, and modern language departments are often overstaffed in every language but Spanish. Until now, pressure to merge them was felt primarily in small liberal arts colleges and in community colleges; in some institutions, such mergers have already taken place. But even some large state universities have such declining enrollments in French, German, and Russian that the tenured faculty in those areas do not have enough students to justify the cost of the programs. Confronted with even tighter budgets, the pressure to move faculty from modern languages into English, or to assign faculty in modern languages to courses that they can teach in an English department will likely increase.

Reorganizing into large interdisciplinary units alters the definition of the chair as "the first among equals." When chairs become division "heads," they belong more to the administration than to the faculty. The consolidation of the department structure into the division structure weakens the fundamental base of faculty governance by replacing faculty leadership with managerial supervision.

## Uncertain Future

Reduced budgets will surely bring significant and harmful change to our campuses, but not all of the changes have to be for the worse. I'm sure many of us have been bothered by the moving targets for promotion and tenure, the declining proportion of tenured faculty in our departments and the growing use of part-time faculty, the unrelenting severity of the job market, the continued growth of Ph.D. programs in the absence of jobs, the culture of the counteroffer and "star" hiring, the academic entrepreneur for whom the home department is merely a stepping stone, or the neglect of faculty governance by those who make little commitment to their institutions. Collectively, these developments are the signs of self-serving definitions of our careers and the profession. They are also the results of funding patterns that rewarded such entrepreneurial ambitions and sustained the concurrent exploitation that permitted them to continue.

Fiscal uncertainty encourages drifting with the status quo; it is difficult to act when the future is so unclear. The public's demands for a more practical education will have greater persuasiveness when jobs are scarce and the future is clouded. Will we have the courage to act for the larger educational good despite our anxieties and desire to

protect our privileges? Given the irresolution of the last thirty years about graduate enrollments and the job market, we have to wonder. Do we have the faculty governance to manage the change and protect academic freedom and tenure? Many institutions do not. The influence of the AAUP may be critical to protecting academic values when funding shortfalls push us into change. The columnist Robert Samuelson recently wrote that "[p]rosperity becomes a narcotic, accustoming people to current pleasures and numbing them to future problems." The "current pleasures" of just over a year ago have disappeared. Our task will be larger than cutting the travel budget and taking out the phones. It is hard to think about future problems when the narcotic of prosperity is still in our blood. But all around us the world has changed. For many faculty, the next few years will be a time of adjustment and redefinition, program consolidation and elimination. It remains to be seen what will survive as fundamental to higher education when the values of our profession are remeasured in terms of costs and funding.

ILLUSTRATIONS (BLACK & WHITE)

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By Linda Ray Pratt

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