The Public University as a Public-Private Partnership

Iowa State Faculty Conference
Elizabeth Hoffman, Provost
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Recent Trends in Public University Public and Private Budgets

- Declining reliance on state funding
- Tuition increasing faster than CPI
- Record private fundraising
- Increasing reliance on federal funding
  - Student aid
  - Research funding
  - Earmarks
- More corporate funding
National State Appropriations for General Operation of Higher Education
FY 1997 to FY 2007

Billions

$0 $10 $20 $30 $40 $50 $60 $70 $80


$47 $50 $53 $57 $61 $63 $62 $61 $63 $67 $72
State Appropriations to Higher Education

Iowa and States where Peer Land-Grant Universities are Located

![Graph showing state appropriations for higher education from FY 1997 to FY 2007 for various states including Arizona, California, Illinois, Indiana, Iowa, Michigan, Minnesota, North Carolina, Ohio, Texas, and Wisconsin. The graph displays appropriations in millions of dollars over the years.]
Comparison of Trends in Tuition and Appropriations
Private Giving to Higher Education

Voluntary Support of Education

Millions $

2003 2004 2005 2006

University of Wisconsin-Madison
Purdue University
Texas A&M University
Ohio State University
University of Minnesota
Michigan State University
University of Arizona
North Carolina State Univ. at Raleigh
Iowa State University
Univ of California, Davis
Mean
Higher Education R&D Revenues

Total R&D Expenditures, FY 2000 to FY 2005
Iowa State and Peer Land-Grant Universities

Millions

2000 2001 2002 2003 2004 2005
Higher Education Revenues by Source

1996-97
- State Appropriations: 64.9%
- Tuition & Fees: 30.6%
- Other Income: 4.5%

2006-07
- State Appropriations: 48.1%
- Tuition & Fees: 46.4%
- Other Income: 5.5%
Benefits of Public Funding

- Faculty more likely to look inward to institution than outward toward external competition
- General predictability of funding
- Low tuition, easier access for students
- More faculty time for teaching and reflection
Costs of Public Funding

- Political intrusion into faculty composition or research content
  - Don’t anger agricultural commodity groups
  - Culture wars – past and present
    - Who will be faculty?
    - What will they teach?
    - What is acceptable research?
  - Funding linked to political views about taxation
Costs of Public Funding

- Possibility of low expectations
  - Salaries
  - Research funding and publications
  - Funding in general

- Lack of competition
  - For students
  - For research dollars
  - For faculty
Costs of Market-Driven Funding

- Possible overemphasis on competition at the expense of institutional cooperation
- Possible emphasis on money over quality
- University priorities may be driven by money or the demands of outsiders rather than by academic excellence
- Uncertainty of funding streams
- Possible erosion of institutional culture
Benefits of Market-Driven Funding

- Enhanced control over each unit’s destiny
  - Better service to students results in more tuition revenue
  - More successful grant proposals result in more indirect cost revenues
  - More successful fundraising results in more funds for faculty, students, and programs
  - Units don’t “beg” for funds, they can plan strategies to enhance funding
Benefits of Market-Driven Funding

- Possible change in institutional culture from a constrained view of what is possible to planning for revenues, expenses, and quality enhancement over the long run
  - Costs and benefits of hiring more faculty of a particular type internalized to units
  - Costs and benefits of adding or deleting degree programs internalized to units
The Importance of Transparency in a Market-Driven University

- Distribution of Tuition Revenues
- Distribution of Indirect Cost Revenues
- Payments for Essential Services
- Creation of Institutional Excellence Fund
- Distribution of State Funds
Steering the Ship in the Market-Driven University

- Make Essential Services a Part of the Cost of Doing Business
  - Library
  - Student Recruitment and Student Services
  - Space
  - Human Resources
  - Operations
  - Maintenance
Steering the Ship in the Market-Driven University

- Institutional Excellence Fund
  - Recruiting and retaining a high quality, diverse faculty
  - Making sure there is sufficient startup money to recruit the best faculty in disciplines requiring significant startup
  - Partner accommodation to assist in recruiting a high quality diverse faculty
Steering the Ship in the Market-Driven University

- Institutional Excellence Fund
  - Nurture Interdisciplinary Education and Research
    - Cost matches for center and institute grants
    - Interdisciplinary undergraduate and graduate programs
    - University-wide competitions for seed funding
Maintaining Ethical Behavior in a Market-Driven University

- Rules for Proprietary Research
  - Academic Freedom
  - Protection of Graduate Students and Junior Faculty
- Faculty and Student Conduct Policies
- Protection of Need-Based Financial Aid
- Build in Rewards for Cooperative Behavior