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ADDRESS BY THE COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES
NEW ORLEANS, LOUISIANA
APRIL 29, 1974

"SURVIVAL OF HIGHER EDUCATION IN THE YEARS AHEAD"

I accepted your invitation in part because I wanted to emphasize, along with many others, the need for Boards of Trustees to become more deeply involved in the future of higher education in the United States. It is almost commonplace to refer to the "crisis in higher education." That term usually refers to current critical problems of financing these institutions. Of course, that is high on the agenda of every institution of higher learning as I am sure it is high on the agenda of all of you.

But what I am referring to by the term "crisis" is the survival of higher education in the years ahead. This is going to be determined in the long run by circumstances reaching far beyond the responsibility of the Boards of Trustees and others who raise the necessary funds to balance present budgets, important as this may be. Far too few people fully recognize the portentous significance of two events, which began last year, for the future of our society and for higher education. I refer to the Arab oil boycott and the Watergate affair.

Two items on these matters appeared in a Washington newspaper on the same day, earlier this month, which exemplify my concern.

The first was an editorial commenting on discussions in the United Nations relating to the growing shortages of the world's resources

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for food, energy, and materials. The editorial describes today's world in these words:

> "High oil prices cause fertilizer shortages which, in turn, create food shortages and starvation. It is a world in which sudden unexpected swings in prices have disrupted production and destabilized economies, not only among the poor and traditionally vulnerable Nations. It is a world in which the rich Nations are beginning to see that inflation is not simply the opposite of unemployment but, in itself, a rising threat to their prosperity."

On the opposite page was a syndicated column headed "What Was Wrong With Their Education?" in which the columnist put the question which has been in many minds as to why so many highly educated people serving in the Government lost their way in the Watergate affair. I quote two paragraphs:

> "There was something wrong with the education of those who surrounded President Nixon during the Watergate crimes, and I wonder whether our college and university presidents are giving any thought to the question of what it is.
>
> "It would be sad to think that 10 or 20 years from now a future President would again surround himself with such bright young men, so well dressed, so well graduated and so ill prepared to face questions of right and wrong."

There are obviously other important and difficult issues before us--economic uncertainty, inflation, détente with communist countries, urban blight--just to name a few. But none is as pervasive and overriding as these two. I hope that the Arab oil boycott taught us to recognize that we are fast becoming a have-not Nation in a world in which all Nations are increasingly competing for scarce basic resources. We have shifted from an economy of abundance to an economy of scarcities.

The industrial revolution, coming at a time when there were still vast resources in the New World, combined with the subsequent revolution in science and technology, set the stage. There was plenty of clean air and water to absorb waste products at low cost. It has been a period of vast exploitation of resources, of material well-being in which Americans even in the lowest income bracket ranked above the average living standard in most countries.

This abundance and prosperity--so said John Locke and Adam Smith a long time ago--would result in the elevation of the common man to economic nobility. With poverty abolished, there would be equality for all. Injustice and fear would no longer be of major concern. An article in the current issue of Harper's Magazine, states it well:

> "Virtually all the philosophies, values, and institutions typical of modern capitalist society--the legitimacy of self-interest, the primacy of the individual and his inalienable rights, economic laissez-faire, and democracy as we know it--are the luxuriant fruit of an era of apparently endless abundance."

MAJOR ADJUSTMENTS FOR SOCIETY

Even as we recognize that we face major changes from the years of opulence, one does not have to agree with those that say "All is Lost." Nor does one have to agree with all the contentions of the Club of Rome in its thesis on the "Limits to Growth." But, if we are a realistic society, we will recognize that we face major adjustments in the years ahead. We face a society which will require difficult and far-reaching decisions affecting not only the lives of our children but even those of us here today. And this is where the Watergate tragedy comes in. These decisions will be made in large part through governmental institutions. Can the institutions of higher education provide leaders of the caliber

and integrity which Government will require? Does Watergate have a message for us with respect to what these leaders are taught and how they establish their sense of values?

At the risk of sounding old-fashioned, I have to say that I believe that a return to what our forefathers called the "fundamentals" is a must for the American society of the future. Education, and higher education, as Watergate taught us, is not enough. Likewise knowledge, without wisdom, is of little use--especially in the nuclear age. Wisdom includes spiritual qualities and this is what our society so greatly needs. Academic education of course is essential but--without a corresponding moral and ethical foundation--is not enough of itself. This, to me, is the lesson of Watergate and if we do not learn it well we are in for a grim future.

These are the long-term challenges--challenges which should influence our thinking at this conference. In the short-term, I should like to offer some thoughts from the perspective of a layman on the subject of higher education. I offer them as a trustee and also one especially concerned with the effectiveness of the Federal Government in its expenditures for education. Federal expenditures are expected to approximate $16 billion next year--more than one-third of which will be for higher education.

MAJOR PROBLEMS FOR EDUCATION

In spite of rapidly increasing Federal outlays for higher education, an obvious immediate concern is the current critical financial situation of virtually every college and university in the Nation. This is related to other changes and problems:

--New kinds of students are seeking college degrees--more from minority groups and

financially disadvantaged homes; more requiring individualistic programs and the acceptance of different ideas and diverse life styles.

--There is a shift in educational demand from the liberal arts to vocationally oriented courses and programs, a shift away, from the humanities and language training even as schools of business administration and nursing are expanding rapidly.

--We are seeing a rapid rise of the public community college at a time when most small private colleges have excess capacity.

--And advances in sciences and technology are posing the transcendent challenge for colleges and universities of "keeping up" and seeing to it that every teacher is abreast of new developments and every course revised as the expansion of knowledge makes necessary.

MAJOR CHANGES FOR EDUCATION

As you may have noted, I titled these remarks "The Survival of Higher Education in the Years Ahead." Is this an overstated or overdramatic title? Possibly. But consider this scenario outlined by a friend, one far more knowledgeable on the subject than I, who sets forth a possible picture facing educational institutions in 1980:

--Nearly 40 percent of all enrollees will be attending public community colleges where tuition rates are low and costs further reduced by the geographical proximity which permits the student to live at home.

--One-fourth to one-third of the substantial numbers of private institutions with less than 500 students will have failed or will have been absorbed into the public system.

--Upwards of three-fourths of all college students will be enrolled in institutions with over 12,500 students.

If this scenario is correct, the institution that will survive is the large, big-city community college, in which courses are prescribed

by State authority and taught by teachers who must conform with Government-established guidelines.

It also means that the large public regional universities, such as Florida State University and George Mason University in Northern Virginia, will likely have less than one-fifth of their total enrollment in the freshman and sophomore years.

It is difficult to question the validity of this scenario when one considers that though total enrollment during the past 3 years has increased 13 percent, private colleges and universities have lost enrollment, public universities have just about held their own, and public community colleges and technical institutes have shown sizable increases.

Though enrollment growth has slowed, expenditures for higher education increased from $18.6 billion in 1968-69 to nearly $30 billion five years later in 1973-74, an increase of more than 60 percent--an increase far in excess of inflation.

For the past 5 years, colleges and universities have not been able to keep their expenditures within their incomes. Colleges and universities in 1973-74 will incur estimated deficits of around $400 million.

MAJOR CAUSES OF FINANCIAL PLIGHT

Why such a financial crisis? The Carnegie Commission on Higher Education points out in its report, "Priorities for Action," that higher education experienced a greater increase in its total resources during the 1960s than ever before. Yet it more than doubled its expenditures as a percentage of the gross national product--from 1.1 to 2.5 percent. This growth was reflected by

--a doubling of students during the decade--from 3 million to over 6 million students on a full-time equivalent basis;

--an unusually rapid increase in the cost per student year; and

--a great augmentation in research grants.

Predictions in the late 1960s for the following decade called for continued increases in enrollments, appropriations, research support, and private donations. The colleges and universities geared up for another decade of growth, although recognizing that growth would be less rapid. Unfortunately, predictions of continued growth proved too optimistic. Enrollments that once were predicted to rise by 50 percent now may rise by only one-third. For many private institutions enrollments are down and are expected to go down further. Buildings and classrooms constructed to house the projected increase stand idle. Expected tuition and other revenues have not materialized.

Attempts during the early 1970s, to increase both tuition and public support met with opposition. That opposition stemmed from a widespread discontent with the chaotic unrest on many campuses from 1964 to 1972.

Many citizens perceived that politicization of our colleges and universities as destructive of the objectivity and detachment required for learning. They deemed inappropriate the stances taken on political issues by institutions, or by faculty purporting to act for their institutions. They lamented the seeming inability of some institutions to control disruptive elements on campuses. They criticized the seeming intent to produce more and more graduates without regard to society's needs. And they voiced increasing doubt that a college degree will insure for their children the advancement in income and in status that it has in the past.

So here the institutions stand today--shrinking revenue dollars, harassing fixed costs for idle plant and equipment, and mushrooming costs for

salaries and other operating expenditures. Where does the solution lie? Most who have studied the problem conclude that the situation requires a search for new resources to augment existing ones, and for more efficient use of all resources.

RECENT EDUCATIONAL FINANCING

The past is prologue, it says somewhere on the facade of the Supreme Court. What can we learn from the immediate past to help us now?

Before World War II, the financial support upon which the colleges and universities drew was relatively stable. Financing a student's education then was primarily the responsibility of parents and students. Although scholarships and loans were in use, they were not major forms of student support. The financing of an institution, in addition to the tuition and other fees from students, was largely a responsibility of States, churches, and private philanthropy. The Federal Government and private corporations were involved only minimally. The financial status of higher education during this time has been described as one of "genteel poverty."

Since World War II, however, our departure from these traditionally financing patterns has been far-reaching. Immediately after the war and continuing until after the Korean conflict, our institutions of higher education expanded opportunities for education far beyond previous expectations. This was due in large measure to the GI bill. Then, when the great numbers of veterans attending school waned after the Korean conflict, the colleges and universities lapsed again into their all too familiar state of economic depression.

In 1957, Sputnik became visible in the night skies over America. This event signaled sweeping changes in the role of higher education. Most people were appalled that the Russians had taken such a lead in the space race, and many attributed this to a lack of qualified scientists and science teachers. Enrollments in the science curriculums at most colleges and universities as well as enrollments in general were low. Many educators and politicians believed that the Nation would have to go beyond the traditional enrollees in higher education--the upper class--to fill its needs for educational manpower.

Along with Sputnik came further changes in methods of financing higher education such as:

--Grants to students based on a systematic analysis of their ability to pay rather than scholarship.

--Expansive growth of philanthropic foundations.

--More aggressive and professional fund raising, including creating of formal development offices.

--Increased patronage by corporations and State and local governments.

--A sharp increase in Federal support to higher education.

The Federal Government greatly increased the number and types of grants and loans to students and its grants, contracts, and loans for research, training, and facilities construction.

The principal Federal agency for all this has been the Office of Education, with participation also by the Department of Defense, National Aeronautics and Space Administration, National Institutes of Health, and the National Science Foundation.

After the mid-1960s when financial strains again increased, many new approaches were tried in an attempt to secure other revenue sources.

The most popular proposal was to attempt to secure institutional grants from the Federal Government without disrupting existing forms of aid. The underlying principle here was the academic community's belief that the Federal Government was the most promising source of new revenues.

FUTURE EDUCATIONAL FINANCING

Recently, six major reports, each issued by a nationally recognized group, have dealt with the financing of higher education. The studies were made by:

--The Carnegie Commission on Higher Education

--The Committee on Economic Development

--The National Board on Graduate Education

--The National Committee on the Financing of Postsecondary Education

--The National Council of Independent Colleges and Universities

--The Special Task Force to the Secretary of HEW on National Policy and Higher Education.

Each had a slightly different thrust and did not encompass all aspects of the problem. These differences aside, several common conclusions and recommendations emerge:

--Tuitions in public and private institutions should be equalized by raising tuition in public institutions, by tuition grants, or by a combination of both.

--Tax incentives for charitable giving should be increased to encourage expanded philanthropy.

--Private institutions should be assisted by granting some tax offset against amounts paid as tuition, and possibly as well by providing institutional grants.

--Loan programs--preferably long-term--should be made a more prominent part of the student aid package. The studies agreed almost unanimously that aid to low-income students should be grants and loans, but should be only loans to middle-income students.

Some of these recommendations met with criticism and resistance, as would be expected. Opponents, such as the American Council on Education, argued that increased tuitions would mean the hard-pressed, middle-income family would have to bear an even heavier burden than now. Others believe that taxpayers would, as in the past, be reluctant to support increased taxes for higher education.

Next to the criticism of increased tuition, perhaps the recommendation most generally criticized, has been increasing the use of long-term loans to students. Critics have pointed out that the two federally-supported programs have encountered substantial losses through the failure of student borrowers to repay. Critics alleged that these losses demonstrate the impracticability of burdening people embarking on careers and the establishment of families with heavy debts. They contended that to increase the volume of loans would only compound the existing problem.

MORE EFFICIENT USE OF RESOURCES

Let us turn to another important matter--that of making all available resources do more for the institution. All six of the reports urged institutions of higher education to become more efficient. Can this be achieved? Especially when efficiency and productivity are persona non grata in the world of academia?

It seems to me that several approaches and techniques need full exploration. These involve analysis of institutional costs, examination of alternative institutional modes of operation, and consideration of the relationship between public and private institutional roles, separately and in combination with each other. All of these should find acceptability to analytical minds.

Howard R. Bowen of the Claremont University Center in his critique of the higher education finance studies made two basic observations. If he said, educators, are to find ways for institutions to survive and others to rebalance budgets, they must develop meaningful cost data. With the aid of this data, they must also seek ways of providing quality education at lesser costs.

Meaningful cost measurements are technically difficult to make. Meaningful measures of output--of the quality of the graduate--generally are lacking. Great care must be used in decisionmaking since cost data provides only a part of the information needed when judgments are made. Yet I heartily agree with the National Commission on the Financing of Postsecondary Education when colleges and universities are faced with financial crises, that cost analysis is a valuable tool that can improve the efficiency in higher education. Merely having comprehensive knowledge of the costs of operating an institution can provide insight as to where economies might be achieved. The following will illustrate this point: *ADOPTION OF DIFFERENT INSTITUTIONAL MODES*. I am speaking here of such concepts as consortiums. These not only often result in visible dollar savings but can also enable the institution to expand learning opportunities without raising costs.

A comparative study proved that the operating cost "per $1000 handled" by the joint business office of the Associated Colleges of Claremont, California, was 14 to 57 percent less than at similar single institutions in the study sample. Business functions covered in the study included general accounting, investments, bursar functions, and payroll and personnel records.

Recruiters for the Associated Colleges of the Midwest found that they attracted larger audiences when they spoke for all members. In a large metropolitan area, such as St. Louis, the consortium can afford newspaper and radio advertising to publicize a college night at which 3 or 4 admissions officers describe the advantages of each of the 12 schools.

A student at any one of the Five Colleges, Inc., in Massachusetts can concentrate in any major. Thus an Amherst student, whose home college offers only 7 courses in Asian studies, can enroll in any of the 81 Asian studies courses offered by other members.

The Career and Placement Services of the Colleges of Mid-America, Inc., has brought recruiters from over 40 potential employers to its centers in Sioux City, Iowa, and Sioux Falls, South Dakota.

THE UNIVERSITY WITHOUT WALLS. This is another innovative concept now underway at more than 20 colleges and universities across the country. It provides highly individualized and flexible learning programs for students of all ages, using new and largely untapped resources for teaching and learning that go far beyond those available on the traditional college campus.

Over 3,000 students were enrolled in the program in its first year, 1971-72. The program is located at such campuses as Antioch College, Hofstra University, the University of Minnesota, and the University of Pacific.

Each student follows a tailor-made program worked out with his advisor. There is no prescribed curriculum and students study in variable time frames or episodes. There is no uniform time schedule for the award of

the degree, and graduation will take place when the student has achieved the learning objectives agreed upon with his advisors, be it 1, 4, or 20 years after he began.

Cost savings are largely from student use of non-classroom resources off campus with adjunct faculty who often serve without pay. Significant savings also come from the redefined teacher's role as advisor, allowing him to work with a large number of students in the planning, advising, evaluating role yet still providing highly individualized learning.

STATEWIDE PLANNING FOR HIGHER EDUCATION. This phrase always raises eyebrows and concerns about additional controls, "uniform" standards, and so forth, which have been controversial over the years. But private institutions are caught up in circumstances which make it essential that they do more in planning educational programs and facilities. After all, the initiative in establishing higher education policies still rests heavily with State Government rather than Federal Government in spite of the increasing amount of Federal assistance in recent years. In addition, in 1973 approximately 77 percent of all students in the United States were enrolled in public institutions of higher learning--most of them sponsored by State and local governments.

An example of the need for such planning is in the location of public colleges and universities in areas adjacent to private institutions which already have considerable excess capacity. A similar need for State attention is the type of financial assistance which should be given to private institutions. I have already referred to the need for closing the gap in tuition charges between public and private institutions--a

situation which today encourages expansion of public institutions at the expense of the private. In short, if the gap is reduced there may not be the need for some public institutions, or a least not in the places where they would otherwise be located. A troublesome problem to be sure but one badly in need of attention.

COST REDUCTION THROUGH "PUBLIC TECHNOLOGY" AND IMPROVED MANAGEMENT. Much attention is being given these days to what is termed "public technology"--in other words, ways in which the public sector can be made more efficient by using technology learned in the private sector or through improved management methods. The public sector today represents roughly one-third of the gross national product and employs one out of every seven gainfully employed in the entire country. Moreover, the public sector is growing much more rapidly than the private sector. All this places in focus the great need for higher priority of the ways in which the public sector can increase its output and reduce costs.

Institutions of higher education have received much criticism in recent years, deserved and undeserved, and in many cases have been unwilling to face up to the hard realities of the pinch caused by rising costs and salaries on the one hand and the difficulty of providing money through increased tuition or contributions. Faculty members agitate for increased remuneration but--as the criticism goes--are not interested in increased productivity.

More than half of the $20 billion being spent for instructional activity in higher education currently goes for departmental salaries and departmental support. Yet, when management surveys are made to reduce cost, almost all the attention goes to business, or nonacademic, operations. Academic expenditures have been "off limits" to most of these reviews.

Business activities, involving expenditures of about $9 billion this year, are important, but it is at the nearly $12 billion spent on departmental instructions that you, as members of Boards of Trustees, should be taking a harder look.

We can no longer accept the proposition that the professional practices of faculty members are not susceptible to management improvement and managerial innovation. This is the real problem and the real challenge for the years ahead.

In closing, I return to the point which I made earlier, that you, as trustees, must be more deeply involved and concerned with these problems. The critical financial decisions ahead can be made only with a full understanding of current student demands, faculty views and capabilities, and a realistic understanding of the problems of educational programing. Trustees, in my view, can no more make wise financial decisions in an educational vacuum than corporation directors can make similar decisions without an awareness of industrial operations designed to produce profits for stockholders.

The increasing problems of shortages of energy, materials, and food--with resulting inflationary pressures--will make these decisions even more difficult. At the same time, a scarcity economy makes the role of our educational institutions all the more important

--in providing the leadership for both our private and public institutions, and

--in taking the lead in scientific and technological efforts to deal with the shortages.

It is to our institutions of higher learning that we must look for leadership. You, as trustees of these institutions, are, in fact, trustees as to whether these institutions will serve the needs of our Nation in the difficult years ahead.

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