



## Against the Wind: Governing Your University in an Era of Limited Financial Resources

BY DAVID W. MILES

**P**ublic or private, university or college, large or small, all institutions of higher education face significant financial headwinds today. Nearly two and a half years after the formal end of the “Great Recession,” federal stimulus funds have been exhausted, state budgets have not fully recovered, stock-market losses and low bond yields have reduced endowment returns, and most important, it is becoming ever more difficult for our students to afford tuition increases that have only partially offset declines in other income.

As board members, one of our most solemn responsibilities is to ensure that our institutions have the financial strength to continue their mission into the future. Despite heroic efforts over the last three years to protect educational quality and access during the global financial crisis, we cannot let up. The storm has not passed. As we enter 2012, is your institution ready for the following?

- **Continued economic uncertainty:** Born as it was out of a real-estate and credit bubble, the “Great Recession” is demonstrably unlike other American economic downturns in recent memory. Although the recession technically ended June 30, 2009, and the Federal Reserve continues its aggressive monetary policy, GDP growth has been tepid, real-estate values and the job market show only faint signs of solid recovery, and the European debt crisis is far from resolved. The news is not all bad—for example, private-sector profits are strong—but it is difficult to get much clarity about what the future may hold.
- **Little recovery—and perhaps further decline—in federal and state support for higher education:** Even when the economy improves, our institutions need to be prepared for a future of limited governmental support for higher education. Competition for resources at the state level will remain intense, and actions to reduce the burgeoning federal deficit will mean fewer dollars to go around. We must all prepare for the likelihood that short-term policies that helped our colleges and universities through the crisis will not be extended. This

could result in less money for need-based aid, cuts in research budgets, and fewer dollars passed on to the states to help them cope with lower tax revenues.

- **Increased resistance to tuition hikes:** For decades, tuition has been climbing at a rate faster than the Consumer Price Index. In real dollar terms then, the price of a college education has been rising. At the same time, median family incomes have remained essentially flat. Combine these elements with ballooning student debt—which the Occupy movement has targeted—and projections for a growing number of lower-income, first-time college attendees over the next several years, and you have a recipe for much stronger resistance to regular tuition increases.

If your institution concludes—as many will—that revenue growth will be constrained in the near term, what is to be done? After all, many colleges and universities have already taken major steps to cut costs, particularly in “back-office” functions, over the last three years.

As I see it, now is the time for each of us to open a dialogue with our administration and faculty to re-examine the cost effectiveness of the instructional model at our respective institutions. Educating students is not only the most important function of a college or university, it is also the most expensive one. To put higher education on a sustainable path we must find ways to improve quality, protect access, and rein in rising costs.

A recent address by U.S. Secretary of Education Arne Duncan to the Federal Student Aid conference noted the work of the National Center for Academic Transformation, among others, for its pioneering work in redesigning courses to improve student learning and retention, while reducing costs of delivery. We must all become a part of such efforts.

The financial winds may be against us for some time to come, but boards can play a catalytic role in encouraging innovation and creativity to improve student outcomes and to ensure the continued relevance and value of our institutions.

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