

The Privatization of Public Higher Education

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*(and its possible implications
for higher education in
the United Kingdom.)*

Public vs. Private U.S. Colleges and Universities *(4,861 total institutions)*

Public 4-year institutions.....654

Private nonprofit 4-yr. institutions.....1,547

Private for-profit 4-yr. institutions.....490

Public 2-year institutions.....1,132

Private nonprofit 2-yr. institutions.....181

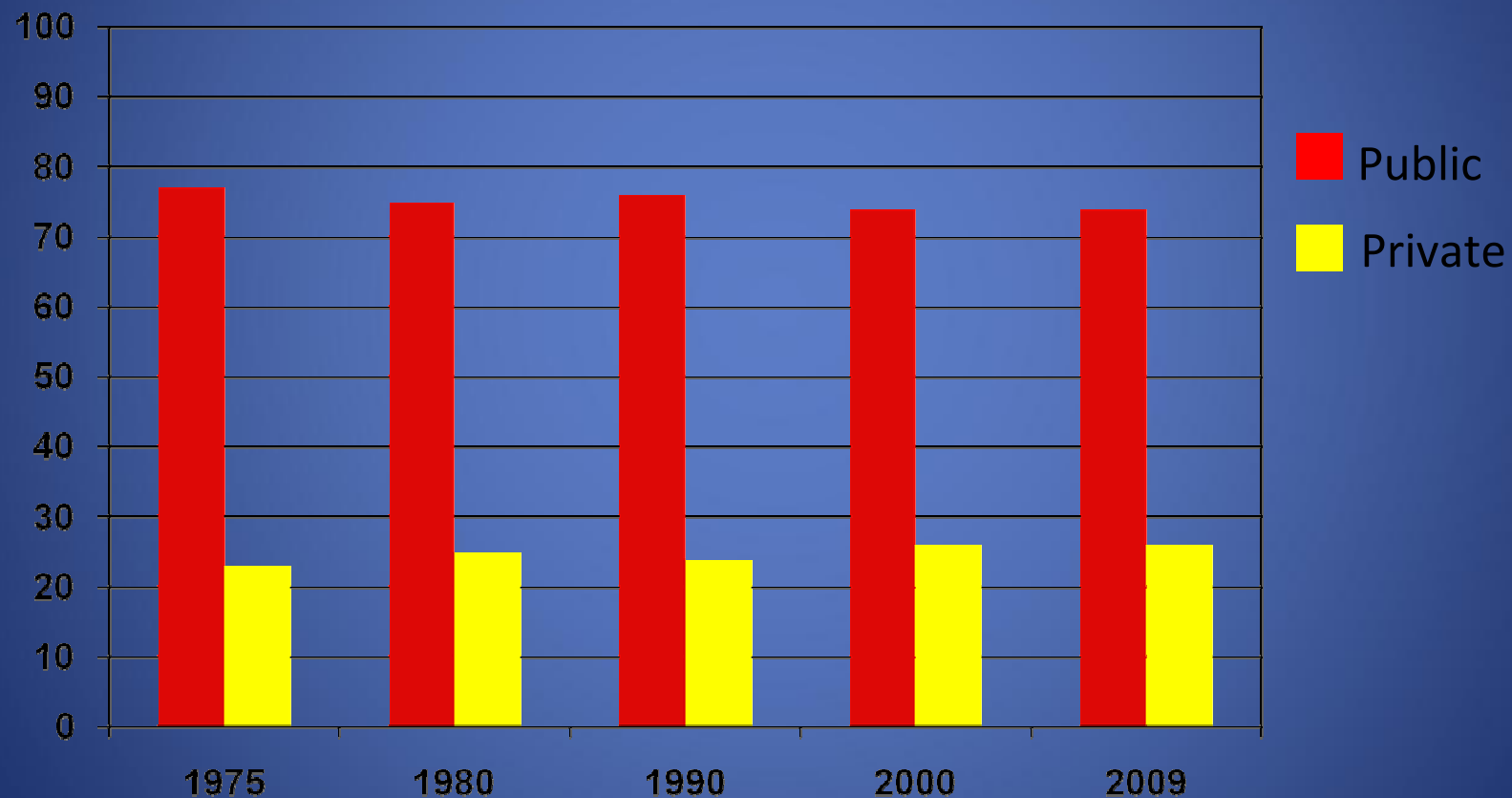
Private for-profit 2-yr. institutions.....857

Source: The Chronicle of Higher Education, Almanac Issue 2009-10



Enrollments by Sector

As a Percentage of Total U.S. Enrollment (18 million students)



Source: "Not by Chance," The Association of Governing Boards of Universities and Colleges

Federally Financed R&D Expenditures

Type of Institution	R&D Expenditures <i>(academic sector)</i>
Public	\$35 billion
Private	\$17 billion

Source: National Science Foundation: Federally financed R&D expenditures at universities FY2008.

R&D Expenditures at Selected Universities

Institution	R&D Expenditures
University of Wisconsin	\$881 million
University of Michigan	\$876 million
UCLA	\$871 million
UC, San Diego	\$842 million
Duke University	\$767 million
University of Washington	\$765 million
University of Pennsylvania	\$708 million
Ohio State University	\$703 million
Penn State University	\$701 million
Stanford	\$688 million
University of Minnesota	\$683 million
MIT	\$660 million

Source: National Science Foundation: R&D expenditures at universities and colleges FY 2008.

Challenges Faced by Universities

- Demographics
- Reduction in Government Support
- Student Aid Needs
- Deferred Maintenance
- New Facility Needs
- Expectations for Enhanced Services
- Health Care for Employees
- Pensions

*How are U.S. public universities
changing in response to these
challenges?*

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Public Funding for Selected Private Research Institutions

Institution	Public Income as a Percentage of Total Expenditures
MIT	49%
Carnegie Mellon	32%
Stanford	30%
Cornell	29%
Johns Hopkins	27%
Penn State	26%

Source: IPEDS, Penn State University Budget Office 2010

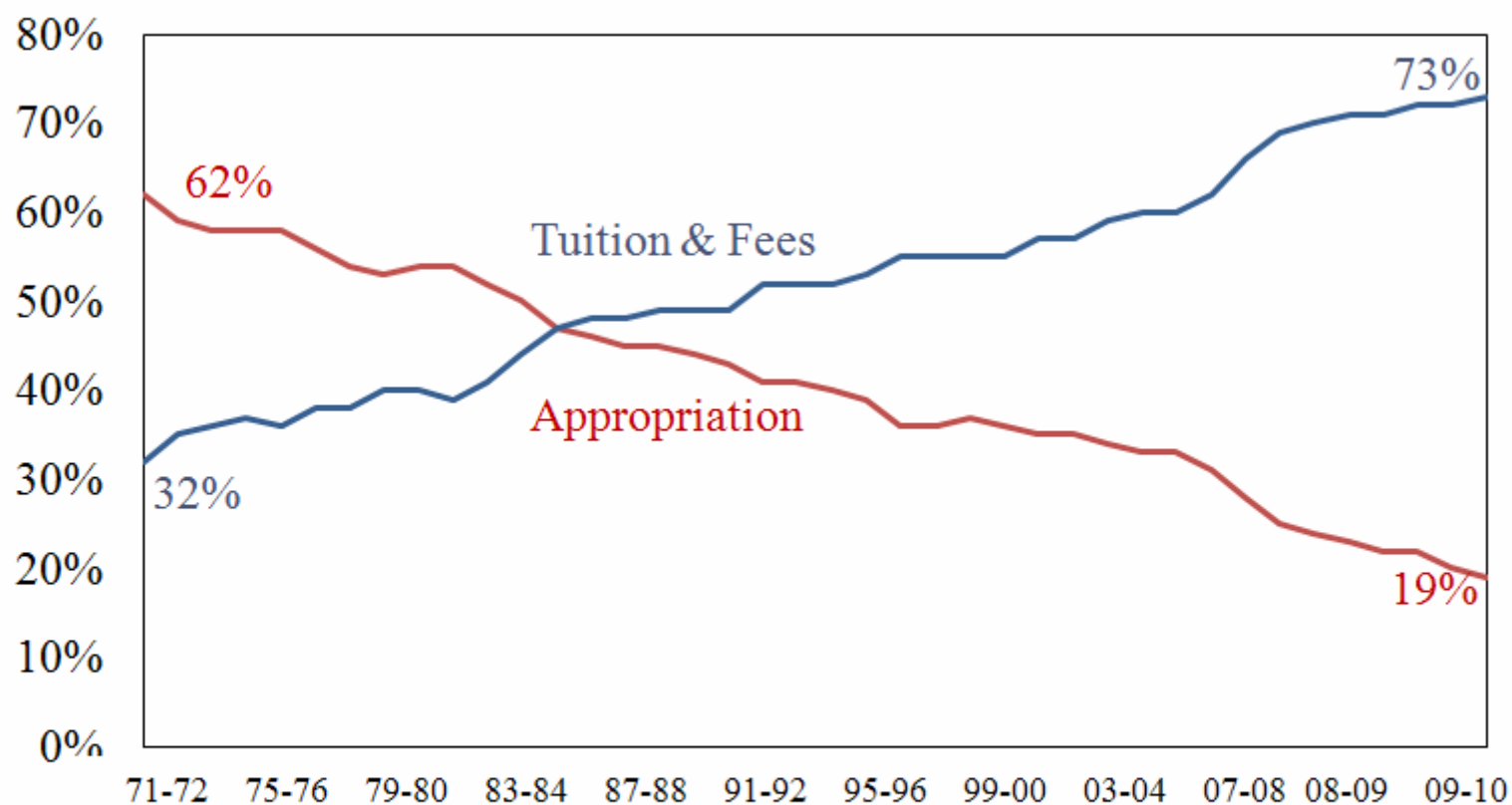
Reduction in Government Support

Public institutions of higher education are gravely threatened. State support of public universities, on a per student basis, has been declining for over two decades....The cuts threaten to cripple many of the nation's leading state universities and erode their world-class quality.

--The Chronicle of Higher Education, January 3, 2010

Appropriation vs. Tuition and Fees

as a Percentage of Penn State's General Funds Budget



Includes Federal Stimulus Funds in 2009-10.

*How is the privatization of
public higher education
changing the way we operate?*

We're becoming more entrepreneurial.

- Philanthropy
- E-learning
- Licensing revenues and patent activity
- Self-supporting operations
- Partnerships with business and industry

Philanthropy

Selected Public Universities

Endowments (FY2009)

Institution	Endowment
University of Michigan	\$6 billion
University of Texas	\$5.8 billion
University of Virginia	\$3.6 billion
University of Minnesota	\$2.1 billion

Philanthropy

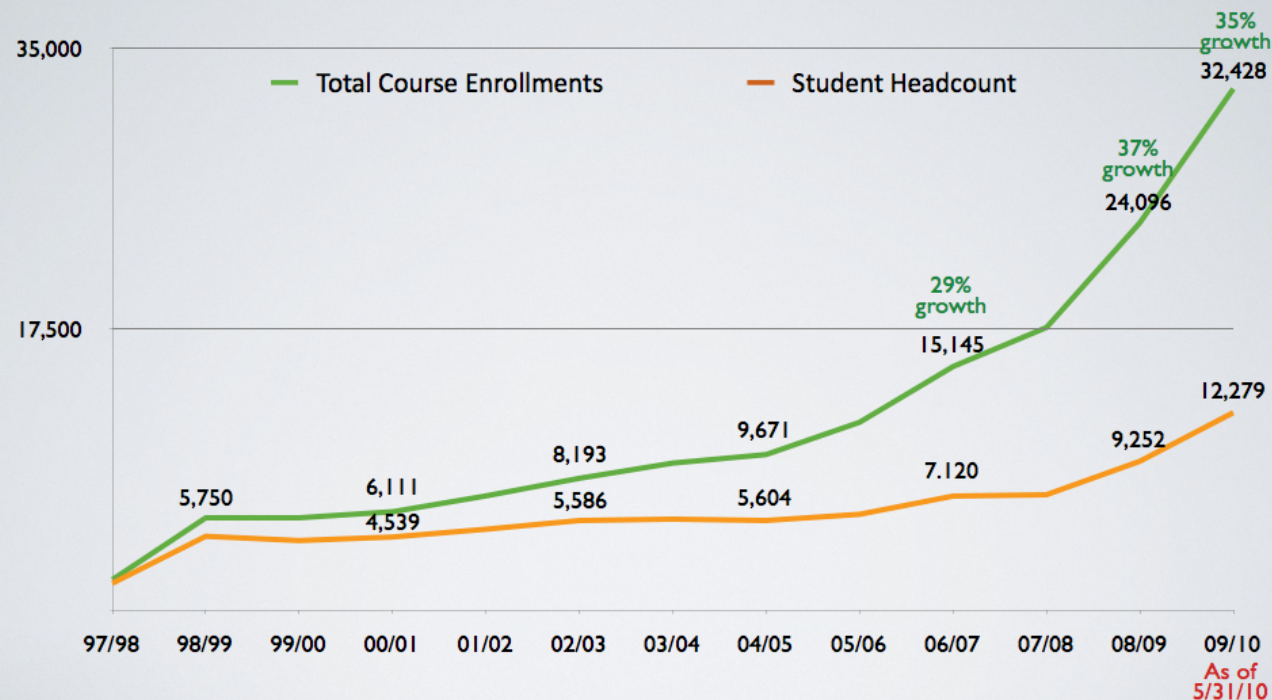
Selected Public Universities

Annual Fund Raising Totals (FY2009)

Institution	Dollars Raised
UCLA	\$352 million
University of Wisconsin	\$342 million
University of Washington	\$324 million
University of Minnesota	\$272 million
University of Michigan	\$263 million

E-Learning

Penn State World Campus Enrollments and Headcount



Licensing Revenues and Patent Activity

Selected Annual Revenues

Institution	Annual Revenue
Columbia University	\$134 million
New York University	\$104 million
MIT	\$89 million
University of Minnesota	\$85 million
University of Washington	\$80 million

Source: Association of University Technology Managers, 2008 Fiscal Year

Selected Examples

- Housing and Food Services
- Hotels and Conference Centers
- Research Parks
- Intercollegiate Athletics
- Self-Supporting Facilities
- Agricultural Operations

Partnerships

Selected Industry-Financed R&D Expenditures at Universities

Institution	Expenditure
Duke University	\$152 million
Ohio State University	\$128 million
Penn State University	\$99 million
MIT	\$87 million
University of Washington	\$74 million

Lessons Learned from U.S. Public Higher Education

- Higher education must adapt to the inevitability of declining government support.
- Entrepreneurial thinking is needed – without sacrificing the values, principles and traditions of higher education.
- Flexibility in governance, financial management and competitiveness is imperative.

Universities must have control over the key variables.

- Tuition Fees
- Salaries
- Expenditures
- Policies

Conclusion

1. Expect growing global competition for students, faculty and research awards.
2. To remain competitive, flexibility and agility are the keys.
3. Continue to remind the government of its responsibilities and the need for support.
4. Government regulation has never created great universities.
5. Setting caps on expenditures or revenue generation is a formula for frustration.
6. Anticipate the gradual privatization of higher education.

Questions and Follow Up

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