

Executive summary

Why We Won't See Any Public Universities "Going Private"

John D. Wiley, Chancellor, University of Wisconsin-Madison

- Seemingly popular is the seductive idea of adopting a private school/business model for public schools and detaching them from public support funding sources.
- Not only is it impossible to totally fund public education from private sources, but it is important not to attempt to do so, for the health of public higher education.
- It is not nearly as simple as the oft heard "Why not double tuition and do away with the need for public funding?" implies.
- Though only 40% of higher education institutions are public schools, they educate nearly 80% of all students in higher education; if you look at four-year colleges only, 25% of the institutions enroll 65% of the students.
- There are few truly large private higher-education schools and the private school funding model does not scale up to successfully fund schools with the increasingly large student body populations typical of public institutions, particularly of the state flagship schools.
- Typical current budget funding sources: public schools receive 18% and private schools 24% of income from tuition; public 31%, private 0.3% from state support; public 0.9% and private 32% from endowments.
- The best-funded endowments have \$500,000 in the bank per student, thus a 30,000 student body would need a \$15 billion endowment; that is not attainable, nor is even half that amount possible to achieve for each large public higher education institution.
- At the pre-school level most education costs are born by the parents; for K-12th grade, an average of \$1,400 per capita funds public education; taxpayers generally don't get a return on that investment unless more education follows.
- Currently \$220 per year per capita public support in the U.S. makes higher education possible; the actual cost of education is \$8,000 to \$12,000 per student per year at all levels, preschool to university.
- Public institutions have also taken on new roles concurrent with the decline in public funding support. For example, private industry no longer supports basic research labs, and it is no longer enough that research labs within higher education produce new knowledge, they also must show results that can be translated into technology transfer and additional revenues.
- The G.I. Bill and the dramatic expansion of postsecondary education in the second half of the 20th century powered the U.S. economy.
- The necessity to borrow money for higher education is driving students away from careers vital to society but that have only moderate lifetime earning potential,

including teaching, nursing, family practice medicine, and even medical, legal, or veterinary work in rural areas.

- The distribution of brains, talents, ambition and creativity is independent of family income, yet making public institutions increasingly unaffordable for all but the children of the affluent will leave many of the brightest out of higher education; no society is rich enough to waste these assets.

Defining the University's Role in Economic Development (better do it, or someone else will)

Jim Roberts, Vice Provost for Research, The University of Kansas

- The impetus for universities to play a key role in economic development is but one example of the new and growing demands on higher education.
- As part of the effort to define the role of The University of Kansas in economic development, the author shares questions generated by KU research-related staff that foster an exploration of the topic. See pages 16-17 for the list of questions.
- A 2006 article in the Chronicle of Higher Education headlined "The University as Economic Savior" reports that higher education is replacing industry as the largest employer in some cities. This leads to "both support and unrealistic expectations."
- Where in the higher education institution should the economic development function be administered? By history or default, and because of a natural connection with technology transfer, the economic development role often is attached to the research office, even if it isn't in the title. Economic development administration may not be within the research office; in reality it may be highly decentralized.
- Economic development and/or bioscience organizations are proliferating in Kansas, as elsewhere.
- "What should we be asking ourselves as we move forward in formally defining the university's role in economic development?" Finding the answers to these questions can be a role-defining exercise for a university.
- Some of these questions:
 - "Should we be doing this at all?"
 - "How does economic development relate to the mission of the university?"
 - "What does the public expect?"
 - "What are the outcomes and how do we measure them?"
 - "How should economic development play into promotion and tenure decisions?"
 - "Where should for-profit companies be located, in relationship to the campus?"
 - "Should the economic development activity be independent of the research office?"
 - "How far up the commercialization chain should a university go?"
- There is a difference between being an ally with a business and becoming a business.
- As we answer these questions (and others on page 16) we will convey our institutional goals and values to the public to let them better know their public university.

Privatization of Public Universities: The UNL Experience

Kimberly Espy, Associate Vice Chancellor for Research, University of Nebraska-Lincoln

- Critical to understand the history of public universities when considering the privatization of public universities. The idea that a fundamental aspect of higher education is the discovery of new knowledge and inquiry—research—came later.
- The Morrill Act of 1862, which established the Land Grant university system, was predicated on the notion that it is in the public's best interest to provide high-quality, widely accessible higher education to all.
- Public universities educate 77% of all post-secondary school students; fulfilling the ideal of comprehensive education available to all.
- Public research universities have contributed substantially to the transformation of our economic system from agrarian to industrial, and industrial to knowledge-based.
- One under-considered aspect is the progressively developed and deep-seated public trust in the integrity of university research and, more broadly, in the institution.
- The intent of the Bayh-Dole Act (1980) was to accelerate the moving of research outcomes into useful products, services, and information to better serve the public who funded the research. The simple strategy was to ascribe ownership of research outcomes to the public research university in order to create better incentives to spur the vested parties to perform. Thus economic development became a central tenet of the mission of public research universities. As a result, industry supported research has risen an average of 8% per annum nationally. The intent of Bayh-Dole was not to address university revenue streams specifically, as in that era most public research universities received more than half of their budgets from state appropriations.
- With the progressive and recent steep declines in state appropriations and rise in the number of enrolled students, enhancing industry-sponsored funding for research and other academic activities has become an important source of revenue to potentially counterbalance other revenue reductions. These forces are particularly acute for universities in the Great Plains states, which have comparatively smaller populations from which to draw students and historically have been under-priced.
- The explicit benefits of industry sponsorship have been substantial: at UNL, for example, both the percentage of research awards sponsored by industry and total sponsored funding doubled in the last 5 years.
- There is no doubt this funding has added value to existing Nebraska companies through licensing, has enhanced private-public partnerships and collaborations, and has created start-up ventures.
- Enhanced research funding, from any source, increases local economic development through job creation; this provides opportunity for creating and retaining a highly educated workforce. Research outcomes have been transferred more rapidly into the private sector. Greater economic opportunities have been provided, which have fostered greater quality of life and technological innovation.
- There also have been more implicit benefits from the trend towards "privatization." Industry sponsorship and shared ownership in the research outcomes have fostered new perspectives in university management that have increased the diversity of ideas and led to greater efficiencies. Adoption of a business model at public research

universities has sharpened the focus of many universities and their programs. This model has enabled deriving a more specific institutional mission and has resulted in more efficient service delivery to students, staff, and the public.

- There also are real costs to the “privatization” approach. Technology transfer and economic development are labor intensive and legally complex. For many universities, these costs exceed the revenues generated from industry sponsorship and licensing. The benefits also are distributed more diffusely; some benefits are accrued directly to private companies who are not charged to best represent the public’s interests. Academic units dependent on public support and largesse (often the arts and humanities) fear “downsizing” because of less availability of industry and federal grant funding relative to science/technology-based disciplines.
- There also are under-recognized implicit costs of privatization, including increased conflicts of interest. Proprietary rights and concomitant non-disclosure can be at odds with the long-standing tradition of university academic freedom and public dissemination of findings. The university’s gain of financial benefit by restricting access to research outcomes through patents and licensure can conflict with its responsibilities of public access and community stewardship.
- Researchers have a vested interest in outcomes, which can engender latent biases. The effects of such biases are greater in research outcomes in the health and human sciences, where the scientific phenomena require statistical inference and human judgment. Cognitive science can help to clarify how these implicit biases might affect research outcomes; see text for a fuller discussion and references.
- In conclusion, private industry sponsorship of research activities has led to economic benefits, both nationally and locally. Privatization puts at risk the steadily built, longstanding public trust, support, and confidence in the integrity of public research universities and its research outcomes. Without enhanced management of the inherent conflicts of interest that accompany industry sponsorship of research, there is a risk of rapidly eroding the “social compact” between universities and their publics, upon which premier public research universities have been built.

Paying the Pipeliner: Early Stage Drug Discovery in Academia

Jeff Aubé, Professor, Medicinal Chemistry, The University of Kansas

- Interest in drug discovery research in venues outside of the pharmaceutical industry has burgeoned in recent years.
- New drug development requires a broad spectrum of professionals; scientists and physicians within the academy have played roles since the invention of the field. What is new: universities and other institutions interested in economic development have expanded their activities in *early stage drug discovery* or *preclinical research* as part of larger initiatives in bioscience.
- I conclude that expanded involvement of basic scientists in preclinical research is a welcome trend, but that those investing time and money should carefully ponder their expectations for return on their investments.
- A typical drug discovery program takes 10–12 years between synthesis of a new prospective drug molecule and its entry into the marketplace. A 12-year time frame

between initial synthesis and patenting must be considered in the context of the 20-year limit for drug patents; this leaves only eight years of exclusive marketing to accrue profits to offset the cost of development. Post-patent competition by generic drug firms greatly decreases the sales of name-brand drugs.

- The odds against a given chemical entity making it into the clinic and from there onto the general market are staggering; the author's anecdotal survey indicates that less than 1% of medicinal chemists produce a new drug.
- The average cost for a new drug: \$882 million to \$1.65 billion dollars. Profits earned from each successful drug are needed to pay for projects that fall short of the market. Given this reality, drug companies typically choose their targets based on market considerations in addition to biomedical need. Thus the emphasis on developing drugs for conditions, often chronic, that afflict large numbers of America's increasingly gray population, such as for cholesterol control, diabetes, or Alzheimer's disease.
- See the text for a full description of the drug discovery process and examples of successful university pharmacology research.
- The Bottom Line: a long-term commitment to drug discovery that makes sense in the vision of the university. All who wish to undertake drug discovery in academia should carefully consider their expectations and commitment. The best reasons to engage in drug discovery are scientific excitement and a desire to do work relevant to human health.

Privatization of Public Universities: A Risk/Benefit Analysis

Donald Weeks, Professor and Head, Biochemistry, University of Nebraska

- There are both benefits and risks if public universities are to be more private-like and entrepreneurial in their dealings and operations; there are risks and benefits to remaining the same.
- Any changes to be made in the U.S. public university system must be made with great care and deliberation so that the end product is better than, or at least as good as, the present system in serving society.
- To explore this, I conducted a risk/benefit analysis of the privatization of the public university with the attendees of the 2006 Merrill Retreat.
- I selected key functions of university research as well as basic factors that affect it, listed the major risks and major benefits associated with each of these functions and factors, and asked the group to individually measure the degree of risk or benefit associated with each on a -5 to +5 scale. My list: expansion of knowledge/discovery; education and training of students; funding of the research enterprise; betterment of society. The results and discussion of the survey are found on page 39.

Privatizing Public Research Universities: Wealth Creation as a Laudable Goal . . . Not a Sleazy Perversion

Ron Trewyn, Vice Provost/Dean of Research, Kansas State University

- State financial support for higher education has been declining nationally for years; seldom has it kept pace with annual increases in either inflation or state revenue. State revenues in Kansas were substantially higher than inflation in the 1990's economic boom though annual state budgets for higher education were not; consequently, the portion of Kansas public institution operating budgets funded from state monies declined annually. This trend is consistent across most public universities in America.
- Even though research universities have been undergoing a myriad of changes in recent years, there is great pressure on most university campuses to maintain the status quo. College faculties are reluctant "merchants of change," but if they will lend their assistance, privatization can be turned in their favor.
- Since the enactment of the 1980 Bayh-Dole Act, most research universities have become more focused on technology transfer. Nonetheless, few technology transfer offices are major profit centers supporting university privatization. An exception is the University of Wisconsin, which has received intellectual property returns in the millions of dollars annually for decades.
- For those public research universities that have made money, the income has generally been based on a small number of technologies, and wealth creation has not been an institutional mission. In the new millennium, the recognition by faculty, not just university administrators, of the financial challenges facing their universities has increased appreciably. Reinvention (if it's real) will not be a trivial endeavor for institutions steeped in medieval traditions.
- Typically, university deliberations about wealth creation (if they occur) focus on creating wealth for someone else, not the university. Occasionally, faculty entrepreneurs are among the financial beneficiaries of university commercial spinout ventures, but an institution of higher education isn't expected to become wealthy in the process (though it might share in some portion of the revenues).
- States are backing off in their tax support of higher education. That makes privatization a 21st century reality, and as a result, universities must become more entrepreneurial. What's wrong with creating wealth for the purpose of bankrolling privatization and enhancing the institution's financial bottom line significantly?
- One particularly intriguing approach that universities might consider has been described as "rational exuberance" by Michael Mandel: a philosophy touted for an economy based on innovation.
- Cautious economic growth—the alternative—encourages capital accumulation and savings, but because there's less innovation, routine technology-related jobs move offshore and U.S. jobs diminish for those with a college education.
- In all probability, the biggest impediment to adopting rational exuberance is the non-risk taker mentality that permeates most universities.
- Regardless of the reinvention model they choose, public research universities must become more entrepreneurial if they are going to survive privatization. The following

six common principles will likely be required: Challenging the Status Quo; Fostering Flexibility and Fluidity; Crafting Innovation Communities; Managing Conflicts; Enhancing the Status of Commercialization; Facilitating Risk-Taking.

- K-State has been nurturing a more entrepreneurial culture on campus for a long time. As part of this growing institutional activity, K-State recently formed a policy/oversight group — the Commercialization Leadership Council (CLC). See the text for a full description.

Clinical Research Resources at The University of Kansas Medical Center: General Clinical Research Centers (GCRC) and Clinical Translation Science Awards (CTSA)

Richard Barohn, Professor and Chair, Neurology, KU Med Center

- A General Clinical Research Center (GCRC) is a National Institutes of Health (NIH)-supported multidisciplinary research unit to facilitate investigator-initiated clinical studies / trials conducted by full-time faculty at an academic health center (AHC). GCRCs provide clinical research infrastructure to investigators funded from federal agencies, private foundations, and other peer-reviewed sources. The premise for using an infrastructure on a GCRC is that the space, the equipment, and personnel are provided at no cost for investigator-initiated clinical research studies. There are approximately 80 NIH funded GCRC programs throughout the United States. For further information on the GCRC program through the NCCR: www.ncrr.nih.gov.
- We began the process of initiating a GCRC for The University of Kansas Medical Center campus in 2002. See the full text for the reasons behind doing this, the goals set for our GCRC, progress toward those goals, and the benefits of a GCRC. A critical part of a functioning GCRC is a GCRC Advisory Committee (GAC).
- Despite the development of the successful NIH-sponsored GCRC program over the last 50 years, there are still considerable barriers to initiating and completing successful clinical research at academic health centers. Dr. Elias Zerhouni, director of the NIH, has outlined the challenges for clinical research and, in summary, stated that there is no true “HOME” for our clinical research. Based on this recognition, he has proposed a “systems biology approach” to creating a home for clinical and translational sciences.
- In October 2005, the NIH released an Research Funding Announcement for institutional Clinical and Translational Science Awards (CTSA). This was to forge a transformative and integrative academic home for clinical and translational science. Dr. Zerhouni stipulated that these new homes in academic health centers must be a Center, Department, or Institute; they must encompass all components of clinical research, including education, career development, and regulatory components for clinical research infrastructure. Also they are to promote multidisciplinary research teams, create an incubator for innovative research tools, catalyze the application of new knowledge to clinical practice, and have graduate degree-granting capabilities in clinical research.
- With this development, it is anticipated that existing funded GCRC programs will be slowly phased out. However, the clinical research infrastructure provided by GCRCs can be incorporated into the larger CTSA Awards. This will give academic health

centers greater flexibility in modeling clinical research infrastructure space for the future. In this new model, there potentially will be fewer restrictions on collaborations with industry in developing clinical research programs at academic health centers. For example, these appear to be no restriction on number of industry-sponsored studies or in the fund amounts a clinical research center can receive from industry.

- Shortly after the RFA for the new CTSA Awards, a planning process was initiated at KUMC (in October 2005) to develop our response to this new program. The factors behind our decision to submit a planning grant can be found in the full text. The planning grant has been submitted and is currently under review.
- In our CTSA planning grant, we outlined the concept of a Heartland Institute for Clinical Research (HICR) that will be a new integrated home for clinical and translational research, both at KUMC and in the region. See page 56 for a full description of an HICR.
- We are confident that through the CTSA planning process we will create a blueprint for this transformative process that will allow us to join the front ranks of institutions with vibrant clinical research programs.

All Things in Moderation—Please!

Chris Sorensen, University Distinguished Professor, Physics, Kansas State University

- There are benefits beyond money to the privatization of public universities, including: academe's engagement of a broader community, aligning the roles of the university to the needs of society, and enhancement of opportunity that often comes with a new venture.
- But with any new venture, some caution is warranted and an assessment of what consequences may ensue is in order.
- The rise of electricity is an example of fundamental, curiosity-based research that eventually led to great practical application. The history of science and technology is replete with marvelous examples: Indeed the phrase "science and technology" implies this fertile synergy.
- Also, practical application is not the only consequence of curiosity-based research. Consider the work of Galileo, Brahe, Kepler, and finally Newton to understand motion, gravity, and the eventual explanation of the orbits of the planets. This work not only found great application, but it changed the way we see ourselves.
- These observations led me to ask a series of questions: At a university controlled by private funds, what research will be pursued? Will the practical needs of business and industry shift the balance between fundamental and applied research and too heavily favor the latter? At a university controlled by private funds, how will we measure success? At a university controlled by private funds, who owns the research results? Will our students be able to defend publicly their theses? Will researchers be allowed to publish and thereby disseminate their results? When they travel to meetings, will they be able to discuss in a free and open dialogue their work with other researchers? Or will this dialogue between scholars be suppressed for the private needs of the donor? How will the research directions be decided at a university controlled by private funds? At a university controlled by private money will our relationship with students change? Will we take a business model and treat our students like clients?

Finally, at a university controlled by private money what will the mindset of the professors be? Will they be visionary scholars or intellectual guns for hire? Will they be driven by a passion to understand and create or by the bottom line? Fuller discussion and possible answers to these questions are found in the text.

- I believe too much emphasis already is placed on monetary measures. When the university measures its research success, the first (often only) yardstick is calibrated in dollars. Broadly based parameters, wisely considered, are the best ways to measure success, not the single “bottom line” measures often used in private business.
- Business and industry most often is problem solving for *today*; rarely does the private sector have the luxury to wait for a good thing; if they aren’t making money today, they will be gone tomorrow. Yet society needs to plan for tomorrow, too, and the public university has a duty to contribute to society’s well being both for today and the future.
- Heavy funding in a particular area can entice scholars to that area, perhaps without regard to other areas that are important but not well funded. The NSF has in the past several years been calling for research in programmatic areas that it considers significant; such an approach causes the scientific academy to chase the same goal and hence diversity is stymied. Heavy pursuit of the industrial moneys that most often support applied research today will give scholars less time for long-term fundamental studies that lay the foundation of tomorrow.
- I also look the proverbial gift horse in the mouth and warn against philanthropic donations that control too much the direction of research or university priorities.
- Most private-sector supported research will involve engineering and the applied sciences, including medicine. The arts, humanities, and social sciences will receive much less private support, causing what I call the “door knob effect” —the imbalance in funding distorts the university’s face, with accentuated applied sciences but other areas relatively diminished, especially the arts and humanities.
- So are we to deny the benefits of increased funding from private sources, both business related and philanthropic? No! We should take full advantage of them. But universities must remain independent and autonomous institutions, so we must use these resources in a manner that does not compromise the fundamental mission: To establish an environment where scholars can create new knowledge and from their perspective as scholars teach others to be successful citizens in our civilization.

The Entrepreneurial Land Grant: Commercialization within the Educational Milieu

Duane Nellis, Provost, Kansas State University

- The implications for change and higher education in the United States and globally are substantial and occurring at multiple scales; our future success will depend, in part, on how well we adapt to such multi-scale changes and engage in such change in ways that advance our respective institutions. Yet many people at our institutions fear change.
- Entrepreneurial activity conceivably can be positive, negative, or neutral to any given institution, depending on how it is framed within the context of the institution’s mission, priorities, culture, geographic setting, and capability.

- We must look to the future in positive ways through what I refer to as constructive engagement, to take advantage of opportunities as they emerge, being prepared to act quickly and effectively, while protecting what is best in our traditions.
- I think those of us at land-grant universities would agree that an important part of our institution's mission involves applied research and outreach; it is inextricably linked with our fundamental educational mission.
- Numerous imperatives face today's land grant institutions and that fundamental mission, as well as the application of our knowledge discoveries toward the benefit of humankind: (a) decreasing state support for higher education; (b) financial necessity to become more self-sustaining and more entrepreneurial—without compromising our land grant and public mission; (c) the need to help drive, protect and sustain economic growth that contributes to the state's overall economic well-being; (d) the necessity for more inter-disciplinary collaborations across campus and among partner institutions; (e) the need to identify and take advantage of niche opportunities; (f) the need to satisfy increasing student demands as consumers of higher education while protecting our land-grant ideals related to accessibility, at the same time that we build new learning environments that engage students in new ways; (g) the need to increase the number of American students in STEM fields at both the undergraduate and graduate levels; (h) the need to be perceived as 'relevant' by the populace, the institution's governing boards, and the local, state and national political leadership—including an ability to demonstrate through 'objective measures' accountability measures of our success; and (i) the need to be more outreach and service oriented.
- Today's populace needs to be reassured regarding the relevance and importance of higher education and its role in society; our needs and those of students are not always readily understood.
- The relevance, importance, and value of higher education is palpable, but we must do a better job of getting this word out to those who need to hear it most, stressing direct and tangible ways that higher education enriches communities, states, and regions, as well as individuals.
- Many of the aforementioned imperatives relate to our need as a land-grant school to be more entrepreneurial; entrepreneurship is another way to think about pursuing a path of enlightened self interest. To be most effective, entrepreneurship should not be generic and unfocused but centered upon an institution's specific areas of expertise (both existing and upcoming) and capitalize on emerging areas of opportunities.
- At the same time, it is my opinion that while land grants of the future must be greater players in this arena, we must do this while protecting and enhancing what is best in our rich and successful educational traditions as state-based institutions.
- Hundreds of institutions have committed to this effort to commercialize—with the result of hundreds of new start-up companies—and more than \$1 billion per year in revenues from licensing on a host of new drugs, agricultural products, high tech components, and other breakthrough technology.
- Such opportunities leverage institutional strengths, spur innovation, reap financial benefits for the institutions, and provide incentives for faculty members. At the same time, such activities must be structured without harm to the fundamental aspects of what we are as a student-centered, research extensive, comprehensive university.

- What are some of the attitudes for success for those institutions willing to pursue a strong entrepreneurial approach?: a demonstrated confidence in a vision and the passion to carry it through; seeing challenges as opportunities and not as barriers; inclusive leadership; a willingness to engage diverse constituent groups and to use influence more than position power—a change agent must be able to engage detractors as well as followers; and finally, skill in overcoming cultural obstacles.
- See the text for a history and current progress in entrepreneurship at Kansas State University.
- We face growing pressures at multiple scales regarding the quality of what we do, how we have balanced accessibility with enhancing student success, how we have driven efficiencies into our efforts, and how we have translated knowledge into economic development. Proactive action and effective information sharing are needed as we make our way through these changes.
- Change occurs in response to specific motivators; current economic imperatives dictate that higher education be more self-supporting. Such efforts reinforce our need to be more entrepreneurial while not sacrificing what is best in our traditions.
- Effective entrepreneurial efforts should focus on specific niche areas that allow university strengths to be leveraged most effectively and efficiently.

Crafting a Culture of Connections and Collaborations

Barbara Atkinson, Executive Vice Chancellor, The University of Kansas Medical Center

- The undeniable superiority of higher education in the United States is no longer undeniable. Many are studying the swift and possibly fundamental changes coming in higher education; texts by Thomas Friedman and Larry Lauer are quoted.
- It is in these uncertain times that some will write yet another premature obituary for higher education. But Clark Kerr provides hope that far from becoming relics, universities will continue to survive and perhaps even prosper in this new world order, though the fact that universities have proven both resilient and adaptable until now does not guarantee their safety in the future.
- Public higher education enrolls 77% of all students in higher education. These institutions drew about 50% of their operating support from taxpayers in the 1980s. Today money from the state provides about 30% of funding at most, while universities, such as Virginia and Colorado state funding contributes less than 10% of operating support.
- We have not been immune in Kansas from the trends having an impact on public universities throughout the United States. State support as a proportion of the overall budget of our institution also has declined and a larger share of the cost of obtaining an advanced degree has shifted to the student and their family. A study commissioned by Kansas Citizens for Higher Education and conducted by MGT of America concluded that Kansas public financial support for higher education has continued to decline relative to national averages, to levels that are generally lower relative to the Big 12 states than in the prior year. Faculty salaries are farther behind

national average salaries for faculty in similar institutions, and farther behind average salaries in the states around Kansas.

- In fiscal year 2001 the KU Medical Center received \$101 million dollars from the state; in fy 2007 that amount is \$113 million. Figuring inflation—including significant cost increases for fixed expenses such as employee benefits and utilities—we have actually lost purchasing power during the past decade. By contrast, our tuition revenue has grown from \$11 million in fy 2001 to nearly \$22.5 million in the current fiscal year.
- We have had to aggressively grow non-state sources of revenue in order to maintain current levels of programming, including externally funded research and clinical income. While federal support for biomedical research has grown significantly over the past decade, this growth has now plateaued and in some instances—such as funding for Title VII programs—been cut, resulting in significant consequences.
- The talent of our faculty fuels the momentum we enjoy. We must compete for this talent with our peer public institutions and private universities. The competitive pressure to acquire top talent continues to create budgetary pressures for us.
- While privatization policies have arisen at least partially from the budget problems that states face and from policymakers' willingness to shift the costs of higher education from taxpayers to students, they also result from the view that forcing the publics to behave more like the privates and compete for resources will lead to increased efficiencies and the elimination of waste. Meanwhile, as state support becomes an increasingly smaller proportion of their budgets, many public institutions want to be freed from governmental constraints that lead to inefficiencies in their operations and to have the freedom to make economic decisions that will improve their ability to compete with the privates.
- The separation of The University of Kansas Hospital from the university and the creation of a separate privatized state authority was the catalyst for the Hospital's renaissance. See the text for the full story.
- Opportunities exist to capitalize on privatization: an exceptional transfer of wealth is occurring; public support for biomedical research is strong; the community and state have embraced life sciences research as an essential economic driver.
- To exploit these trends we must do more as leaders within our institutions to establish a culture of connections and collaborations: collaborate among ourselves; collaborate with others beyond our own institutions; encourage interdisciplinary collaborations; diversify our revenue streams; and engage in a more aggressive advancement strategy.
- We need: greater flexibility in accessing endowment funds; more staff to help cultivate gifts; to seek state support to match some portion of private contributions; to be in "campaign mode" almost continuously; to look beyond traditional endowment constituencies; and to cultivate a wide array of potential donors and expand our efforts to connect with grateful patients.
- We must: continuously and aggressively communicate the purpose of our work and its relevance to the public and encourage their participation and support; extract compelling data and results that underscore the return on investment; protect our

brand and reputation; articulate and commit to core values; and reflect the “character” of an institution in its leadership.

- The leadership of our university—from department chair to CEO—must be change agents.

Public Universities and State-Level Funding Advocacy

Text by Jeremy Anderson, Kansas Governor’s Office; from a panel discussion with Moderator Keith Yehle, KU Director of Governmental Relations; Anderson; Reggie Robinson, CEO, Kansas Board of Regents; Jean Schöndorf, Senator, Kansas Legislator

- Funding is the predominant determinant for the future of higher education in the Midwest.
- Changes in revenue sources over the last decade have made higher education more reliant on tuition than on state funding. Increases in the State of Kansas funding for higher education have not equaled the increased costs of higher education.
- In 1996, 51% of the university funding was from the State General Fund while only 14% came from tuition revenue; in 2006, the numbers were 30% and 24% respectively.
- The State of Kansas has worked hard to guarantee that promises made in the Higher Education Reorganization Act of 1999 were kept. In addition, there have been significant increases in the operating grants that Regents institutions receive. These increases have produced a four year trend where both tuition and state funding have increased by 15%.
- The State of Kansas has done much to work to establish more funding for higher education during tough budget times, but the money the state has provided still falls short of many needed services at the Universities.
- Over the past five years, there have been many legislative successes aimed to assist higher education communities and to provide additional funding and infrastructure for the future: (a) 2001/2002 New Facility Funding for a \$68 million Life Sciences building at the University of Kansas and \$40 million for a Homeland Security Building at Kansas State University; (b) 2004, 2005, 2006 included the completion of the three year commitment to keep the funding increases in the Higher Education Reorganization Act of 1999; (c) 2002 established the beginning of Operating Grants for Regents Institutions which allows them greater flexibility with the spending of funds; (d) 2004 Kansas Economic Growth Act; (e) 2004 Bioscience Authority; (f) 2006 investment in the five year \$25 million commitment for Cancer Center at the University of Kansas; (g) 2006 Tuition Ownership changes to be dedicated to deferred maintenance.
- The many successes for higher education over the past few years have not been achieved without a tremendous amount of work.
- Support for higher education in the Kansas Legislature has changed over the years to the point that in 2005 the House of Representatives supported major budget cuts to Regents institutions to cover the cost of other budget items. While this initiative did

not become law, it highlights the fact that higher education is at a crossroads in the arena of funding.

- Most Kansas legislators make just under \$20,000 per year from their Legislative pay. The effect of the long hours and limited pay for a Citizen Legislature has changed the look of the Kansas Legislature. Similarly, the face of state legislatures across the Midwest has been altered by increased turnover and term limits in some states.
- Long-term relationships that once solidified a majority support for higher education now require much more outreach. Long-term funding promises like the Kansas 1999 Higher Education Reorganization Act are important steps for the future, but hard to implement when new legislators are elected long after a funding promise has been established.
- The Kansas Citizens for Higher Education released their 2006 voting records for the Kansas Legislature in July 2006 and the numbers highlight the growing divide among pro-higher education legislators and anti-higher education legislators in the state: 61 members of the 125 member House of Representatives received an "A" or "B" grade for their votes on higher education issues in the 2005 and 2006 Legislative Sessions; 56 of the 125 members of the Kansas House of Representatives received a failing grade. This type of accountability is important for voters to see how their Legislators rank on important higher education issues.
- Senator Jean Schodorf (R-Wichita) and Reggie Robinson, CEO of the Kansas Board of Regents, emphasized that continued outreach by the University staff and administrators will be the key to the future of higher education funding. Without the hard work to build stronger relationships with legislators, the fight for additional higher education funding will continue to be an uphill battle.