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A Research University Copes With Budget Cuts and Skeptical Lawmakers

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To be at the University of Arizona these days is to be, in some ways, under siege.

The flagship university in one of the nation's fastest-growing states may have to eliminate some 600 jobs and merge dozens of programs to deal with two rounds of budget cuts imposed since June, and now the governor is telling the university and other state agencies to prepare for cuts of as much as 20 percent for the next fiscal year.

The university had already begun last summer to look for ways to significantly overhaul its operations, but those changes alone won't be enough to offset the reductions in state aid.

University leaders feel their core mission is at stake, as they struggle to make a case for the public value of a research university to a governor and key legislators who have found success in life without having earned a four-year degree.

The reductions threaten to become so severe that some higher-education officials say they may even violate a requirement in the

State Constitution that public higher education be “as nearly free as possible.” To offset the loss in state aid, the university may decide it needs to raise tuition, which has already increased by nearly 10 percent per year over the past decade.

For their part, legislators say their hands are tied. Laws direct how two-thirds of the state’s budget must be spent, leaving the Legislature little choice but to cut from discretionary dollars that go to higher education in order to close billions of dollars of budget gaps. Relief could come from the federal stimulus package or proposed state tax increases, but some lawmakers still say universities should be more efficient by, for example, making better use of technology and distance learning to provide more degrees at a lower cost to students and the state.

Exceptional Struggles

Arizona is hardly alone in facing tough choices. All but a handful of states are projecting budget shortfalls, and universities across the nation are facing similar—though typically smaller—cuts.

The extent of the economic troubles Arizona faces, however, is extraordinary. The revenue shortfall for the 2009-10 budget is estimated to be 28 percent of the state’s general fund, the second-highest percentage gap in the nation, behind Nevada, according to the National Conference of State Legislatures. State tax revenue in Arizona is not expected to rebound to 2007-8 levels until the 2011-12 fiscal year, according to a recent report from the state’s Joint Legislative Budget Committee.

So far, the state’s universities have taken more than their share of budgetary pain. At the beginning of this fiscal year, lawmakers

trimmed nearly 5 percent from the higher-education budget. Then, facing a midyear gap of \$1.6-billion in January, legislators cut an additional 13 percent, or \$141-million, from the state's three public universities, the largest dollar amount cut from any single area in the state budget. The estimated budget gap for the next fiscal year, which begins July 1, is \$3-billion.

One problem with the state's finances is that more than 45 percent of its revenue comes from sales taxes, which are normally bolstered by large numbers of tourists and by retired residents. That proportion jumps to nearly 60 percent when levies on alcohol, insurance premiums, and amusements like movies or sporting events are included, according to the U.S. Census Bureau.

Consumer retrenchment has hit the state hard: Sales-tax revenue was down 16 percent in December from the same month the year before and is more than 10 percent lower for the first six months of the budget year compared with the same time period a year ago, according to the Arizona Department of Revenue.

The bursting of the mortgage bubble has halted new-home and commercial construction, driving up the state's unemployment rate to 7 percent in January. While that is below the national average, Arizona lost more than 166,000 jobs over the past year, the sixth-highest number in the nation, according to the U.S. Bureau of Labor Statistics.

Political Hurdles

In the face of the state's economic struggles, Arizona legislators from both parties say there is no choice but to make sacrifices. But some areas, like elementary and secondary education, are more

protected than colleges because the Legislature is required to follow spending formulas for them, said State Sen. Jonathan Paton, a Republican and graduate of the University of Arizona. What's more, he said, the rate of increase in spending required by those formulas will outpace the projected rate of increase in state revenue in each of the next several years.

The Senate minority leader, Jorge Luis Garcia, a Democrat with degrees from both the University of Arizona and Arizona State University, said higher education was a priority for members of his party, but it still did not take precedence over services like health care for low-income families.

Tommy Bruce, president of the University of Arizona's student association, understands that the state has other needs, but he argued that cuts in higher education undermine the state's future. "When it comes down to it, our state needs to get creative about ensuring long-term economic growth," he said.

Some students and administrators on Arizona's public campuses, and even some lawmakers, say there is a persistent bias against the universities in the Legislature. Some lawmakers believe that higher education is a private benefit and not the responsibility of government, said Robert N. Shelton, president of the University of Arizona.

A small but influential group of Republicans in both chambers has taken strong stances against the universities, calling appropriations to help pay for research partnerships between businesses and colleges "corporate welfare" and railing against the salaries of some university leaders.

Other university advocates say that negative views of higher

education in the Legislature are the result of some members' limited college experiences. A number of key legislators, including the Senate president and majority leader, do not hold bachelor's degrees. Gov. Janice K. Brewer, a Republican, also does not have a bachelor's degree, although she earned a professional certificate as a radiological technician.

"I think that unless you have lawmakers that have a history with higher education, it's going to be harder to get them interested in it, and the value of it," Senator Paton said.

Rep. Vic Williams, a Republican who lists a GED and "some college" in his biography, said the question of whether lawmakers without four-year degrees were biased against the universities was "inappropriate" and "inflammatory." But he asked college officials to work with legislators to find a balanced solution to the state's budget shortfall.

Higher-education advocates also face an uphill battle with some lawmakers who have degrees but also have strong ideas about how the universities are, or should be, operating.

"If you saw someone traveling to work in the morning on an ox pulling a cart, that's my mental image of the education system," said State Sen. John Huppenthal, a Republican and chairman of the Senate Education Accountability and Reform Committee. Mr. Huppenthal, who has an M.B.A. from Arizona State University, said he wasn't "hostile fiscally" to universities, but he was skeptical of the individual economic benefits of a college degree.

Rep. Rich Crandall, a Republican and the chairman of the House Education Committee who holds degrees from Brigham Young University and the University of Notre Dame, said he understood

the economic benefits that large universities have on their communities and might be in favor of increasing some taxes to repair the state budget. But he said institutions need to do more to improve, such as by making more courses available online. "The question becomes, Are you adapting to the changing world?" he said.

Pulling Back in Tough Times

The University of Arizona is adapting to dwindling state aid by dumping degree programs that graduate too few students and limiting programs to areas in which the university thinks it can become a national leader. The goal of the university's approach is to cut spending on administrative operations and increase overall revenue by ensuring that it is competitive for research money in key areas. The university had nearly \$270-million worth of federally financed research in 2007.

"I think we're finally going to make hard decisions ... and say we can't just be a great university in all areas," said Paul R. Portney, dean of the university's Eller College of Management. Mr. Portney leads a group of deans who are planning what programs the university will keep or jettison as it develops a new area of focus on environmental research and policy.

The state's Board of Regents, which governs the University of Arizona and the state's two other public universities—Arizona State and Northern Arizona Universities—has also approved the institutions' request to bolster revenue by increasing limits on the proportion of undergraduates from out of state from 30 percent to 40 percent, beginning next fall. Tuition for out-of-state students is more than three times the price for in-state students at all three

institutions.

But there are some things the University of Arizona says it won't do. Despite pressure from lawmakers, the university won't dilute its focus on research by adding more online and distance learning, says Meredith Hay, the executive vice president and provost. The university is one of 62 top research universities that are members of the Association of American Universities. It's the only one in Arizona.

"The core of our experience ... is getting students into the laboratory experience and working with professors," Ms. Hay said. "It's that face-to-face experience."

The full extent of the university's effort to reinvent itself is still being planned by Ms. Hay and a group of deans, who began to solicit suggestions from faculty and staff members in October. So far administrators have decided to consolidate four of the university's 20 colleges—Fine Arts, Humanities, Science, and Social and Behavioral Sciences—into one College of Letters, Arts, and Science.

University officials expect their plan to save as much as \$12-million over two years. But the savings, which equal less than 2 percent of the state's appropriations to the university, go only a small way toward offsetting expected cuts.

Declining Morale on the Campus

To deal with the Legislature's midyear cuts, the University of Arizona says it will have to eliminate 600 positions through attrition and layoffs, merge or consolidate as many as 50 academic and administrative programs, and cut all program budgets by 5 percent.

No final decisions have been made about which majors will be

dropped, but several degrees in physics, secondary education, and the fine arts are being considered because they have produced too few graduates in recent years. Ms. Hay said the university was concerned that a classroom with five students, for example, was not cost-efficient.

But the short-term budget cuts and the long-term plans being made to trim the university's offerings are taking a toll on the campus.

"Morale is obviously really down," said Maurice J. Sevigny, dean of the College of Fine Arts. "We're running out of things to consolidate."

Jeff Goldberg, interim dean of the College of Engineering, said that in some cases the university would be limiting students' options without saving much money because even if the majors are dropped, many of the courses will remain. For example, majors in engineering mathematics and engineering physics, which are both being considered for elimination, rely on existing courses in both engineering and mathematics.

Cuts in programs may also drive some students away, including nonresidents the university wants to attract. "I have friends who are from out of state who won't be continuing," said Elma Delic, a sophomore studying journalism. "If they have to pay so much and so many things are being cut, then they say it isn't worth it anymore."

Even officials who oversee the plan are concerned about whether the reduced number of faculty members and pared academic offerings will meet the educational needs of a state with few institutions and a lot of students.

The population of Arizona grew by 23 percent from 2000 to 2007, according to the U.S. Census Bureau, and the number of high-school graduates is projected to increase by about 29 percent over the next decade.

"It's a very challenging time," Ms. Hay said. "We're ultimately decreasing numbers of faculty at the same time we're increasing enrollment."

Possible Resolutions

As they consider how to respond to the economic situation, lawmakers say the dire economic conditions could make it politically feasible to support tax increases.

To close the budget gap for next year, Governor Brewer, who took over in January when President Obama tapped her predecessor, Janet Napolitano, to be his Secretary of Homeland Security, has told lawmakers she supports a \$1-billion increase in taxes in each of the next three years, along with \$1-billion in spending cuts. The governor proposes to cover the final billion of the state's shortfall for the 2010 fiscal year with federal stimulus money.

Ms. Brewer has not recommend specific tax increases, but two possibilities floated by legislators in recent weeks include allowing the state's property tax to go back into effect after being suspended for three years and increasing the sales tax by 1 cent.

While the flagging economy could give lawmakers political cover, any tax increase would require approval by two-thirds of the Legislature, and many lawmakers from both parties have signed a no-new-tax pledge.

If there is no long-term fix for higher-education financing, the

Board of Regents is considering a plea to voters or the courts for more state money. Officials of the board said they might pursue a ballot measure that would ask voters to dedicate tax dollars to universities, or they may look into suing the state, charging that it is violating the Arizona Constitution by inadequately supporting higher education.

Fred DuVal, a regent, said the decision to make one of those moves could come within a year.

“At the point when we move from a state-supported system to a state-assisted system, do we have a constitutional violation?” Mr. DuVal asked. “The goal is not to drop a bomb on the Legislature. It’s a move to hold the Constitution out as a model.”

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