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National Commission on the Future of Higher Education

Testimony of

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Good morning and thank you for the opportunity to address the Commission. I want to thank all of the commissioners and Secretary Spellings for focusing your attention on recommendations aimed at improving the higher education system in the United States. Your deliberations are timely for the future of our universities and colleges and for the continued prosperity of our country.

This morning I will speak to you from two perspectives; first, as a person who has spent my professional life in higher education, beginning as a professor and researcher, and most recently as a leader of a private research university. After 26 years at MIT, I began serving Boston University as its president last fall. I also have consulted for several foreign governments on the development of research universities and on the creation of government-supported research institutions. I have spent considerable time thinking about universities and models for their development. I will make several points based on these perspectives.

Let me begin with a perspective from outside this country. The American higher education system of public and private universities and colleges is the envy of essentially all nations. Others recognize that we support an incredible diversity of institutions with faculties and academic programs that are tailored to varying student needs. Moreover, international leaders in higher education realize that it is the competition between these institutions that is ultimately responsible for the excellence of our schools and for the overall quality of our higher education system. The competition I speak of is not across all of the institutions. There are several different markets at work simultaneously ranging

from the competition between small local colleges for commuting students, to the nationwide competition for the very best faculty, students and for support of research between our large research universities.

Within our system the large role of private universities and colleges is essentially unique in the world. Only from the United States do privately operated universities appear on a list of the very best universities in the world. This outcome has been noted by others and is behind moves in several countries to emulate our institutions. Examples of change are the move toward more public university autonomy in the Japanese system of state-owned institutions, and the establishment of the International University of Bremen in Germany on the model of an American private university. Change also is occurring rapidly in Singapore, a country known for the excellence of their K-12 education and for international leadership in mathematics and science education.

Singapore is now turning its attention to higher education and has been studying United States institutions carefully. Their government has moved to give their three public universities autonomy, complete with private boards of trustees, and has recently announced the establishment of a National Research Foundation with the goal of drastically increasing competitively distributed, academic research funding. The Singapore government's goal is to give the universities the freedom to respond separately, as do private United States universities, to the demands of their student constituencies and to create the competitive environment between their schools that is needed to develop academic excellence on an international standard. As Singapore moves to do this, their leaders fully understand the impact of the quality of research excellence on education, where the value proposition for the undergraduate students rests in the creative classroom environment established by faculty members at the frontiers of their disciplines and by the special opportunities outside of the traditional classroom available for ambitious students. These are the benefits that other countries are looking for in their drive to establish research universities like ours.

I believe that the commission should recognize that the American higher education system has produced a competitive environment that fuels the excellence of our institutions and the quality of the educational experiences for our students. I hope that the commission will strongly endorse maintaining this diversity and resist recommendations that normalize institutions toward any standard. I also hope that the commission recognizes the very special role of the American private research university in our economy and in educational options for our students.

My second point revolves around the variety of educational programs in our large universities. As an example, Boston University has developed a system of undergraduate education based on a quality liberal arts education, potentially coupled with opportunities for professional education in a range of fields including engineering, management, journalism, occupational therapy, and conservatory-like experiences in theatre and music. The markets for our graduates judge the quality of these programs and the preparation of our students to either enter the job market or to attend professional and graduate programs. The popularity of our university and our programs with students and parents is

related to these outcomes, which also strongly impact the reputation of the university. Reputation and outcomes are obviously coupled together and one can rightly ask if the feedback on the quality of education is direct enough.

Are there outcome-based metrics that can be realistically gathered and reported to help students in picking institutions? Surely, comparisons are valuable between institutions with like programs, but average data within a university is less relevant. For example, when looking at employment data, how can one compare the job possibilities for a new graduate from the School of Engineering with those for an aspiring actress or musician graduating from the College of Fine Arts? Disciplinary based comparisons of outcomes across universities have some merit, but are difficult to interpret without detailed analysis of individual programs.

Using standardized testing of graduating undergraduates to measure outcomes has the same difficulties. Unless reduced to considering the most basic levels of knowledge, university-wide testing will not capture advanced learning or measure the value of the university experience. Testing of basic skills can easily reduce to being another attempt at evaluating the effectiveness of K-12 education in preparing a student for a rigorous college education. It would seem best to put the emphasis on improving the preparation of our high school graduates for higher education. Universities can and are helping with this challenge. Catalyzed by federal programs and by a deeply held sense of engagement between our campus and the city, we are seeing growing faculty involvement in working with our public schools to improve teaching of mathematics and reading. The continued emphasis of the federal government on the support of these programs will be necessary for sustained progress.

A final point that I would like to make may be obvious; it is that private research universities are not all alike in their financial operations. Most importantly, the budgets of most of private institutions are driven by the tuition and fees paid by their students and not by endowment income or annual giving. For the largest private universities, tuition and fees paid by students usually compose at least 50 to 60 percent of the gross annual revenue, while endowment income and annual giving by alumni amounts to 10 percent or less. This is not the financial model that comes to mind when people read about well-known private universities with large endowments.

The institutional reliance on student tuition for financial support of the university must be balanced by financial aid for needy qualified students and for grants to attract the very best students to our programs. The commitment to undergraduate financial aid is substantial within private research universities: it is not uncommon for the average financial aid given to an undergraduate student to be greater than one-third of the tuition. The amount will be significantly larger if the institution tries to meet full financial need for all undergraduates.

A related realization is that typically, the majority of this financial aid comes from the operating budget of the university and not from the income from endowment or from gifts. Consider a simple calculation for a university with an operating budget of \$1 billion

(most budgets for universities with medical and professional schools are considerably larger) and a \$ 1 billion endowment. Although this sounds like substantial funding would come from the endowment, it does not in reality. Income from the endowment, which is generated at 4-5 percent of the endowment total, amounts to 4-5 percent of the operating budget or \$ 40-50 million annually. Assuming tuition costs roughly \$30,000 annually, the financial aid for 4800 undergraduates (or a class of 1200 students per year) will exhaust the income from a \$ 1 billion endowment. You can sense the magnitude of the challenge of funding financial aid for a university with 15,000 undergraduate students. Federal financial aid for needy undergraduate students, appropriately indexed for inflation, is critically important to helping qualified needy students have access to all universities.

Private universities in general and private research university in particular are a unique American creation that have and will continue to play a critical role in higher education and in the prosperity of our nation. I hope the commission will support the continued success of these institutions. Thank you.