



PRESIDENT'S PERSPECTIVE

The Privatization of
Public Higher Education

**FALL
2008**

From the desk of Dr. Angelo Armenti, Jr.,
president of California University of Pennsylvania



FROM THE PRESIDENT

The higher education landscape has changed dramatically from just a decade ago. Costs are increasing at a time when the need for undergraduate and graduate education has intensified.

Nowhere has the landscape changed more than in public higher education. State funding of public higher education has experienced a steep decline for many years — from about 65 percent 25 years ago to 37 percent today. This phenomenon has put us in competition with private colleges and universities, as well as with other nonprofit

institutions, for corporate, foundation and private donor support.

It also has prompted tuition increases. At Cal U, we have attempted to help offset the cost to our students by increasing financial aid, particularly private scholarship support.

I was a first-generation college student. My family sacrificed to provide me with this opportunity. The same is true for many California University of Pennsylvania students. Their families make sacrifices, as do they. Many awaken early each day to balance school, jobs and family responsibilities.

This issue of the *President's Perspective* is excerpted from remarks I made last spring at Baruch College in New York City. The presentation was made at a national conference focusing on new models for management and labor relations. I trust that as you read through these pages, you will gain a better understanding of the shift in revenue streams for public higher education and the impact those shifts have had on our students and other key stakeholders in our institutions.

You will also read profiles of a scholarship donor whose gift is a tribute to his parents; a scholarship recipient whose goal is to “pay it forward” someday; and a donor inspired by what he has seen and heard on our campus.

The Privatization of Public Higher Education

As public support for public higher education declines, California University must rise to meet the challenge.

As I contemplate the steep decline in public financial support for California University of Pennsylvania over the 16 years since I arrived as president in 1992, I can state unequivocally that Cal U, as well as many other state-supported colleges and universities across the country, is being privatized without a plan.

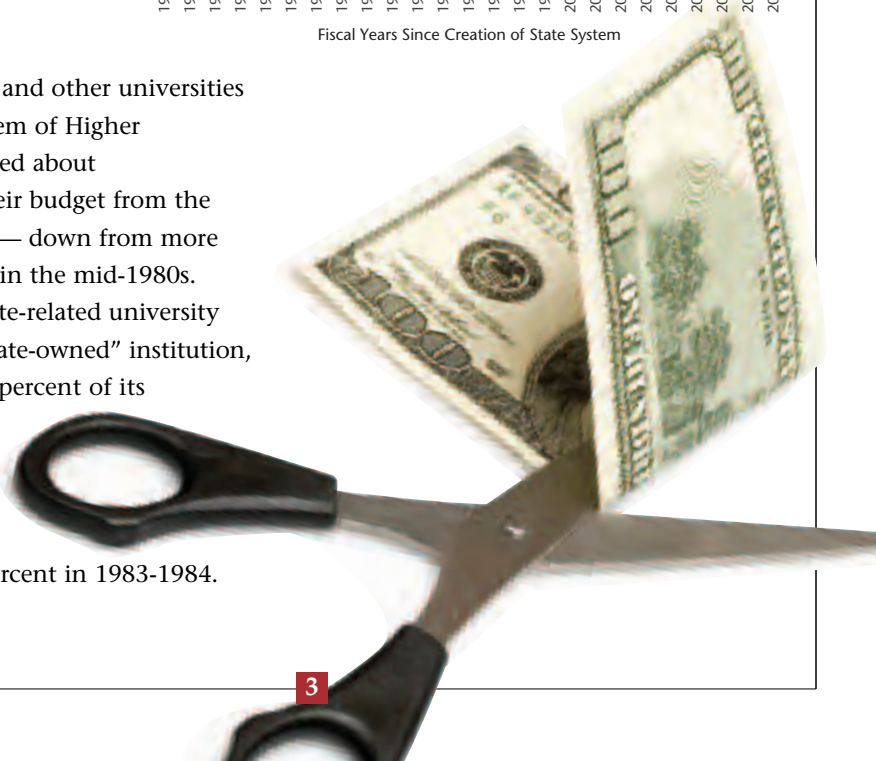
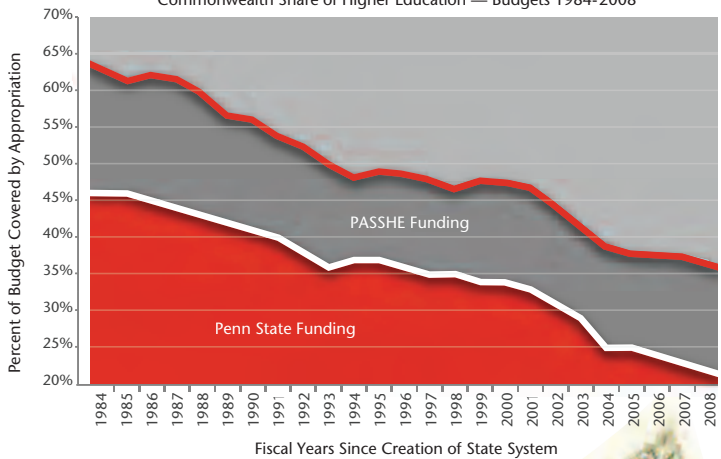
Take a hard look at the most recent 25-year funding trends for public higher education in Pennsylvania, and you'll see the evidence for this straightforward assertion:

- In fiscal year 2008, California and other universities in the State System of Higher Education received about 37 percent of their budget from the commonwealth — down from more than 60 percent in the mid-1980s.
- Penn State, a state-related university rather than a “state-owned” institution, received just 22 percent of its budget from the commonwealth in FY 2008, compared to more than 45 percent in 1983-1984.

An analysis shows that if recent funding trends continue, Penn State and other state-related universities in Pennsylvania can expect their budget share to fall to zero percent by 2033, just 25 years from now. Similarly, California University and other

(continued on page 4)

A 25-YEAR DECLINE IN STATE FUNDING
Commonwealth Share of Higher Education — Budgets 1984-2008





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(continued from page 3)

institutions within the Pennsylvania State System of Higher Education can expect to see their budget share from commonwealth funding drop to zero percent in 2041, just 33 years from now.

This is a serious and urgent state of affairs that has long-range implications for our University, our faculty and, most of all, our students.

THE SITUATION WE FACE

Founded in 1852, California University is one of 14 “state-owned” universities and former state teachers colleges that comprise the Pennsylvania State System of Higher Education, known as PASSHE. By contrast, Penn State, along with Pitt, Temple and Lincoln universities, is considered to be “state-related.”

Simply put, that means Penn State essentially operates as a private university that receives some state funding. Penn State also has significantly increased tuition and fees and sought funding from outside sources to compensate for a steady decline in commonwealth support.

I contend that Cal U and the other state-owned universities are moving

rapidly toward a similar situation, but with additional constraints.

Why? Just two decades ago, most public university presidents did not need to be concerned with private fundraising. Today, virtually all of us do. Back then, the procurement of needed goods and services at public universities was complicated, bureaucratic and slow. Today, unfortunately, it still is.

In short, PASSHE presidents today must act like private university presidents with regard to fundraising. At the same time, they are forced to employ archaic business practices that are at odds with the needs of agile and increasingly privatized public universities today.

THE CHALLENGES WE CONFRONT

We can't blame the inexorable, 25-year decline in state funding on politics alone.

It has continued no matter which party holds a majority of seats in the General Assembly, and with both Democrats and Republicans in the governor's mansion.

Part of the explanation for this steady disinvestment may be rooted in America's changing demographics. For example, in the 1950s and 1960s, two out of every three U.S. households included at least one person 18 years of age or younger — that is, someone who could benefit directly from public higher education. Today, only one out of three households includes a family member in that age group.

It is logical to infer that public higher education became a lesser priority for elected officials of both parties when they realized that a majority of voting households would no longer benefit directly from public higher education. Those voters, it seemed, were more concerned about issues such as crime and health care.

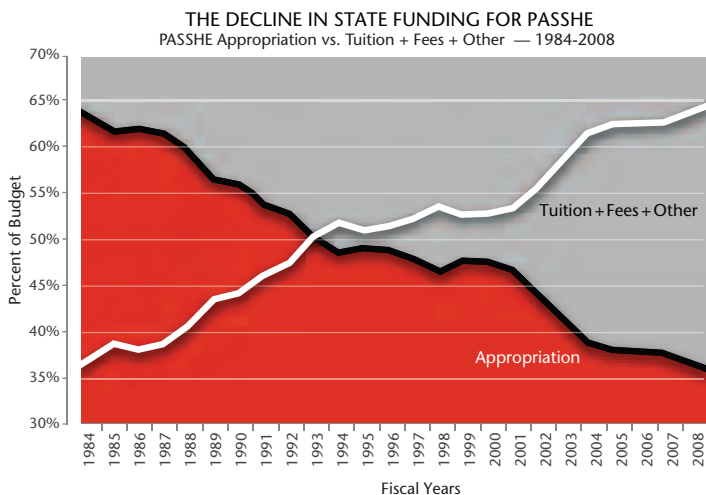
In fact, commonwealth budgets over the last 16 years show a shift in spending priorities, with an increasing share of funding (from 12 percent to 32 percent) directed toward Medicaid.

At the same time, Pennsylvania's elected officials drastically reduced the share of the commonwealth budget devoted



to public higher education from 7 percent to 4 percent, even as funding for corrections was increasing from 2 percent to 4 percent.

It's extremely likely that the funding trends of the past 25 years will continue into the future. If they do, zero percent of state-owned universities' budgets ultimately will come from state funds. Cal U and the other PASSHE universities will become, for all practical purposes, private institutions.



THE SOLUTIONS WE NEED



As the data reveal, Cal U and the other PASSHE universities are today functioning at the same percentage of state financial support that Penn State, a state-related university, did just 13 years ago.

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which state-related universities are currently exempt?”

For universities like Cal U, created by and subject to law as well as a plethora

of other policy directives, the obstacles to excellence can be formidable. Careful thought and analysis are needed to find an operating paradigm that will enable us to preserve our mission — providing high-quality education at the lowest possible cost to the students — even as our commonwealth funding continues to erode.

In the meantime, we must take steps to address the realities of our current situation. At California University, we have acknowledged what we presume will be inevitable, and we have stepped up to the challenge of functioning like a private university.

After all, if we don't act to preserve the quality of our academic offerings and the ability of our students to afford tuition, who will?



B u i l d i n g C a r e e r s .

For example, state universities are typically not able to offer scholarships to students by discounting tuition (as private ones do), so there is a premium on privately raised dollars to support scholarships, as well as capital projects. We have worked tirelessly and aggressively to raise funds in both areas, while at the same time working to increase operating revenues through such efforts as expanding our cost-effective online academic offerings.

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enough to earn a diploma.

We and our fellow PASSHE universities are at a critical juncture. We must begin to plan for and eventually propose what the new operating paradigm for our universities should be. These

actions lie completely inside our circle of influence. No one, except ourselves, can prevent us from planning for our own future.

As we do, we count on the support of our University community to help us continue the important task of providing affordable, world-class higher education now and for many years to come.



Thanks/Giving

Cal U scholarship recipients frequently speak about “paying it forward.”

Someone’s generosity has made a measurable difference in their lives, and they express the hope that someday they can pass along a gift of their own. Scholarship donors put those good intentions into practice. They see how their gift can change a student’s future. And they know that within it lies the inspiration for the next gift, and the next. As commonwealth funding declines, the cost of higher education borne by students increases, and the need for scholarships continues to grow. These three members of the Cal U community have found their place in a cycle of giving that must continue if the University and its promising students are to thrive.



The value of Dick Sabo’s Cal U degree goes far deeper than just a diploma.

A member of the Class of 1956, this teacher-turned-corporate executive knows his education came with a very dear price tag: the sacrifices his mother and father made for him more than 50 years ago.

Alex and Elizabeth Sabo never attended college. In fact, neither one

graduated from high school. Yet these hard-working immigrants understood that a college degree would help their son succeed in the competitive American job market.

So the couple encouraged their son to do well, both academically and athletically. As a result, Sabo graduated from California Area High School with a football scholarship to attend what was then California State Teacher’s College.

“My parents gave me a strong work ethic and taught me the importance of getting an education,” he recalls. “I can’t think of a better way to recognize them than to give the same opportunity to another student in their name.”

The first Alex S. and Elizabeth Sabo Endowed Scholarship, a gift from both Dick Sabo and his wife, Gail, was presented at the annual scholarship dinner in October.

Sabo, who now lives in Chagrin Falls, Ohio, was on hand for the event, even though it meant cutting short a family vacation in Nevada.

As the father of four and grandfather of seven, Sabo understands the importance of one generation helping the next. “I think everyone should get into the habit of giving,” he says. “It’s one of the most rewarding experiences of your life.”

A tribute to family

A gift and a promise

It's going to be a few years before sophomore Mike Dvorchak completes his Cal U degree, but he's already thinking about how he can turn his good fortune into someone else's.

At a luncheon where he was awarded this year's Columbia Gas of Pennsylvania Student Scholarship, the Computer Information Systems major made it very clear that his goal is to one day "pay it forward" to another college-bound student.

Mike grew up in a hard-working family in Upper Middletown, Pa. His mother died when he was 12, and his dad had to work extra shifts in a coal mine to support Mike and help his older brother, Josh, with their college expenses.

Josh graduated from Cal U in 2005, and before long Mike began thinking about college, too. Then his dad's coal mine closed. Mike's father was forced into early retirement, and Mike was faced with the burden of extensive college loans.

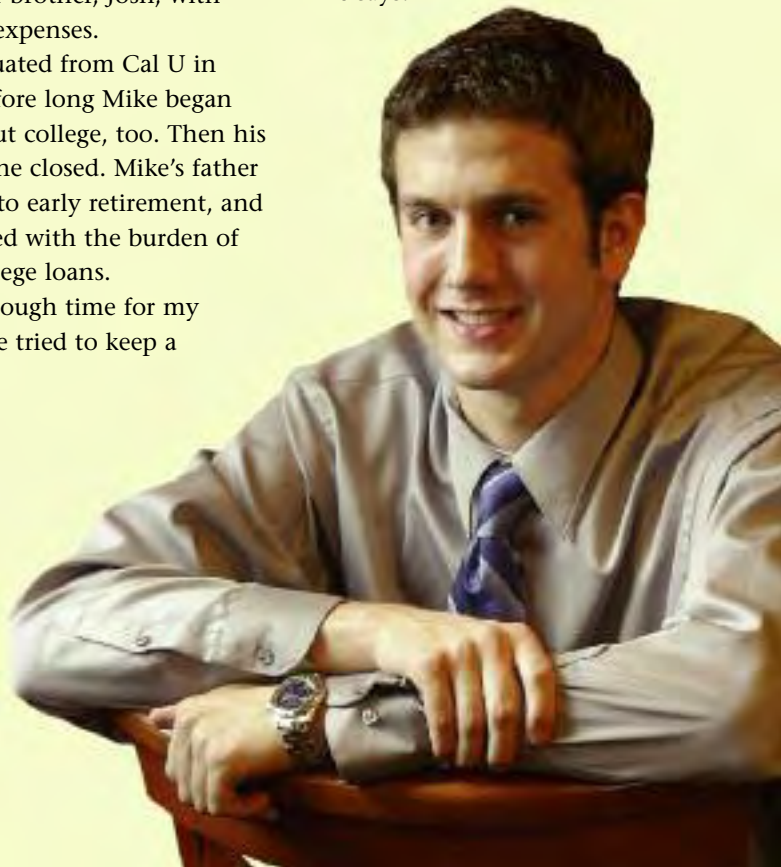
"It was a tough time for my family, but we tried to keep a

positive attitude," says the Uniontown Area High School grad. "If it wasn't for this scholarship, I don't know what I would have done."

The Dvorchak family's work ethic has influenced Mike tremendously. "I look at this scholarship as my job right now," he says. "I've got to work really hard to keep it — and show my appreciation."

Mike hopes that after graduation, he'll follow in his brother's footsteps and start a career in the high-tech industry. But he has other plans, too.

"It's my ambition to some day be able to help another kid who has lost a parent and needs financial assistance to attend college," he says.



Thanks/Giving



A couple of years later Clark attended his grandson's graduation, and Dr. Armenti's remarks "just hit me between the eyes."

In President Angelo Armenti, Jr.'s commencement speech, he reminded graduates that the state had provided them with a great education, and it was now their turn to help do the same for others.

"That's when I decided to create

a scholarship for a deserving student," says Clark.

This is the second year for the

Bill Clark '55 thinks of himself as a "people person." As the retired director of a vocational-technical school, this Oil City resident understands the importance of helping young people accomplish their goals.

But when he came back to California University of Pennsylvania to see his grandson Chad inducted into the Epsilon Pi Tau honorary fraternity, Clark began to think about helping in a different way.

Epsilon Pi Tau honors outstanding students preparing for careers in technology. Clark was touched by the story of a bright young fraternity member who had to take a year off school to work because he couldn't afford tuition.

"I remember thinking that this kind of thing shouldn't have to happen," he says.

A call to action



Bill Clark Scholarship, awarded to a sophomore in Technology Education who is a member of Epsilon Pi Tau and who demonstrates financial need.

“When I funded the scholarship, I didn’t want any publicity for myself,” says Clark. “But if I can do some good for someone else by telling my story, then I’m all for it.”

To join the circle of giving at California University of Pennsylvania, contact John Fisler, associate vice president for university development at 724-938-4960 or fisler@cup.edu.



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