

**“Challenges and Opportunities for Colleges and Universities in the Current Economy”**

**CARLI Annual Meeting  
October 30, 2009**

Good morning to you all and thank you for the invitation to speak at your annual meeting today. I have tremendous respect for CARLI and its organizational predecessors for what has been accomplished over the years on behalf of academic libraries for the benefit of all students, faculty, and staff across Illinois – and on a relatively modest budget I must add. I think I see Susan Singleton and Connie Walsh nodding their heads in agreement on that point.

After many patient requests for a presentation title from Margaret Chambers, I finally came up with the very original and insightful “Challenges and Opportunities for Colleges and Universities in the Current Economy.” Clearly, I won’t be joining Bill Clinton and Dick Cheney on the high-priced speaker circuit. However vanilla the title might be, I think that discussing this topic is a primary reason and benefit to having meetings such as this – and even more so in the current economic climate. It is easy to talk about challenges and opportunities when budgets are good. It is a much different proposition when you’re faced with the unprecedented budget difficulties our state is currently facing because the

challenges are real with serious consequences for our organizations and the people we serve (students, faculty, and staff), and the opportunities seem few and far between. But, I would argue that this exactly the reason why it is important that we do so now. And I think this is the perfect venue to do so, because my experience with CARLI and with librarians has shown that one of the things that you do best is to clearly identify the problem and creatively solve it. I'll spend the next few minutes outlining these serious challenges and some opportunities in their midst.

## **CHALLENGES**

First, the challenges we face. When I was putting my remarks together I recalled a passage from "The Great Gatsby" (I believe) that seemed appropriate for our current economic state of affairs. To paraphrase, when the character Tom Buchanan is asked how he went broke, he responded, "Two ways – little by little, and then all at once". One can see various parallels in this quote to the current state budget situation. As I mentioned earlier, the state's budget difficulties are unprecedented. Depending on the source, current estimates suggest that the state has a structural deficit (the difference between revenues and expenditure obligations) in its General Funds budget (the state's primary checkbook for funding ongoing operating costs) of as much as \$12 billion. Time doesn't permit a

full discussion of the reasons behind this deficit, but in short, the state's ongoing expenditures for healthcare costs, pensions, and other obligations far exceeds the revenue generated by its current tax structure. And declining revenues due to a weak economy means that this deficit continues to grow. Further, according to the state Comptroller, the current backlog of unpaid bills at the end of September was \$2.9 billion, with an average pay cycle of two months. This is likely understated as many state agencies are sitting on payment vouchers given the assumption that they won't be paid anytime soon. To address these cash flow problems the state has borrowed \$2.25 billion since May and Governor Quinn announced plans this week to borrow another \$1.0 billion.

Closer to home, as of today, public universities have yet to receive any of their state appropriations for FY 2010. In fact, we only recently received the last of our appropriations for FY 2009. To complicate matters, at Illinois State at least, we have not yet received any of our MAP grant award funds for first semester. I suspect this is the case for most public universities as well. It is no surprise that some public universities are contemplating the possibility of furloughs for their own employees as well as delaying the payment of bills as a means of managing cash flow.

Things don't get any better when you take a longer-range perspective. When accounting for inflation, state funding for higher education in FY 2010 is

only 3.8% higher than it was in FY 1995, and is almost 20% less than the high-water mark in FY 2002. Likewise, when adjusted for inflation, state funding for public universities is \$205.2 million or 12.8% less than in FY 1995 and state funding for community colleges is \$49 million or 13.8% less than in FY 1995. State funding for grant programs and agencies is 68.1% less now than in FY 1995 when adjusted for inflation, in large part due to the elimination of several institutional grant programs since FY 2004, the largest part of which benefited Illinois private colleges and universities.

There are also some concerns on the demand side going forward. The most recent projections of high school graduates for Illinois by the U.S. Department of Education indicate that the total number of high school graduates in the state will decline from 135,000 in 2009-10 to just over 128,000 in 2015-16, a drop of 5%. This is particularly troubling when you consider that this group is the single largest source of potential new college students and that the tuition they pay is an increasingly critical source of new operating revenue for public colleges and universities. The implications of this shrinking market for future institutional revenue growth is compounded by the fact that Illinois is already the second-biggest net exporter of new college freshmen to other states in the U.S.

## **OPPORTUNITIES**

With all of that good news, you may find it hard to believe that I actually feel very positive about the future. The truth is that from a global economic perspective, higher education is a growth industry, critical to economic and technological development. We will continue to see some shifts in the marketplace as online educational delivery becomes more mature and “mainstream”, and as traditional colleges and universities learn to successfully adapt to this reality and the accompanying change in student demands. And it is also highly likely that the budget and economic issues facing the country will cause some restructuring and downsizing of academic program offerings at colleges and universities both in Illinois and elsewhere. It’s even possible that we will see some institutional closures, although I think that we’re more likely to see mergers and acquisitions of financially weak institutions by larger, stronger institutions.

But, I am also reminded of a historian friend of mine who once observed that the two institutions that have survived and thrived through the peaks and valleys of time are the Catholic Church and the University, primarily because both can and will adapt in the face of changing environmental forces while also retaining their fundamental essence. As the product of parochial grade and high schools, I can certainly attest to the unbending nature of the Church’s fundamental essence in the

form of Dominican sisters. But the basic truth remains that higher education will survive and thrive. How successfully it does so, depends on how well it takes advantage of the opportunities present in the current environment. To quote Rahm Emanuel, it's a shame to waste a good crisis. I would like to describe just a few overarching opportunities that I see.

**Collaboration.** The first opportunity I see is the chance to develop further collaborative arrangements among our institutions as well as with other entities (public and private) in delivery of our services and for other purposes as well. The demand for our services has not declined (and in fact has increased in some regards) in the face of our budgetary difficulties. I realize that I am speaking to the choir at this meeting in that CARLI is the poster child for collaboration. However, there are clearly other opportunities for collaboration as well, both on the academic and administrative side of the house. Academically, what additional opportunities exist for collaboration among our institutions in the delivery of instruction. There are certainly opportunities to share the cost in the development and delivery of online courses, but I also believe that we should explore such possibilities in traditional modes of instruction as well.

Illinois also already has some experience in administrative collaboration through the work of the Illinois Public Higher Education Cooperative, which seeks to pool public university resources to get the best price for the purchase of some

goods and services. However, my sense is that the full potential of IPHEC has not yet been realized, particularly in the area of IT spending – something we all face on a regular basis. There may also be opportunities to extend the reach of IPHEC to community colleges and private colleges and universities in our state.

Beyond optimizing our current collaborative activities to leverage our limited resources, there are opportunities to develop partnerships with other public and private entities, particularly in the area of facilities. My own institution has been working in partnership with the Town of Normal and private developers over the past few years to upgrade and renovate the campus town area. Going forward, we anticipate doing the same as we decommission and demolish some residence halls over the next couple of years and create partnerships to replace that housing stock with modern facilities. With the lack of capital funding from the state, such partnerships will be critical for future campus development.

**Realignment of mission and resources.** The second opportunity I see is for all institution to take a critical look at the alignment of resources with their core mission activities. I know that these words often invoke fear and loathing on college campuses, but the truth is that all of us are probably engaged in some activities that don't necessarily add value to our mission, but which draw down resources. That is less of a concern when times are good, but as we know that is

not the case now. And it is not that these activities are necessarily a bad thing – typically they get started in response to a perceived need. One of the beautiful things about colleges and universities is the desire of faculty and staff to respond to such needs. However, over time this leads to mission creep, which siphons off funding from academic and other activities that are more central to our mission and vision. We can't be everything to everybody and should not try to be. We all need to look for those less central activities that can be phased down or eliminated. Or, as I noted earlier, can be delivered in partnership with others more efficiently.

**Operational efficiencies.** The last opportunity I want to discuss today is probably not so much an opportunity, as it is a necessity in these times – looking for ways in which to improve our operating efficiencies. At its core, this requires a reexamination of current campus processes for ways to streamline and speed up where possible and appropriate. I'm sure that many of your institutions have already been through such exercises, particularly with regard to business processes such as purchasing, accounts payable, and the like. For public colleges and universities, state law sometimes limits the changes you can actually implement, but one of the interesting things I've found is that sometimes the only reason we follow certain procedures the way we do is “that's the way we've always done it”,

rather than due to any specific legal requirement. Sorting the mythology from reality can be of great help in that regard.

Clearly, there are many other more specific opportunities depending on the type of institution you are and where you are located. In conclusion, I don't want to either downplay the seriousness of our current economic and budget situation in Illinois or come off as some Pollyanna. Things are tough and are likely to be so for the next few years at least. At the same time, I do see this as an opportunity to reexamine our current operating practices and make some needed changes for the better that also allow our institutions to innovate and progress for the benefit of our students, faculty, and staff. Thank you again for the opportunity to speak with you this morning and look forward to your comments and questions.

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