

COMPETITIVE EDGE: INVESTING IN HIGHER EDUCATION FOR MISSOURI'S FUTURE

A Report of the Higher Education Task Force of Confluence St. Louis and Kansas City Consensus

EXECUTIVE SUMMARY

This Task Force report deals with the effects of an underfunded higher education system on economic growth in Missouri at a time when the state and its businesses and industries are facing increasingly strong economic competition from other states--and from outside the country. It concludes that the people of Missouri are now confronting a stark choice--they must significantly increase funding for higher education today, or face a seriously diminished economic outlook tomorrow.

The report explores connections between economic vitality and higher education in Missouri, carefully assesses the deficiencies of our higher education system and what it will cost to address them, and makes strong recommendations about how to raise the substantial additional revenues needed. It also sets forth an implementation plan for achieving a return to excellence in many areas of our higher education system.

A major objective of the Task Force was to propose sources of increased funding for higher education in Missouri. The increased revenues needed to rescue our chronically underfunded system of higher education are substantial, and the total amounts called for by the Task Force are sobering. These amounts, however, were arrived at by means of a careful and thorough needs analysis. The Task Force was diligent in developing its own numbers rather than accepting those proposed by other bodies and in other forums.

Implementing the recommendations of the Task Force will not put Missouri among the highest rated states in terms of higher education quality, but it will move us to a position of strong parity in many areas, and excellence in others. We will not be able to rest there, however. Excellence is a moving target. Quality in higher education is, and will continue to be, a function of the changing economic picture and the activities of our competition.

FINDINGS

Findings represent the database of the Task Force. They are derived from the published materials, facts reported by resource persons, or from a consensus of Task Force understanding of the opinions of resource persons.

Located safely in the middle of the nation, Missouri might seem to be far removed from international trade. In fact, the state is an active participant in global commerce and increasingly depends on it for a substantial part of its economic livelihood. To prosper, Missouri will need to provide a positive climate for its existing businesses, to encourage their growth, and to attract and nourish new businesses in other industrial sectors. With the ever-increasing demand for knowledge, information, learning, and skilled intelligence in the workforce, higher education has become a more and more critical factor in the economic equation.

Confluence St. Louis' mission is to improve the quality of life in the St. Louis Metropolitan Area through broad-based participation by interested citizens in study and action on issues of importance to the region. This summary provides very basic information from the Task Force report. Anyone, however, with an interest in this subject is encouraged to review the full report. Copies of the full report and information about Confluence St. Louis can be obtained from the Confluence St. Louis office, 4050 Lindell Boulevard, St. Louis, Missouri 63108, (314) 533-3123; FAX (314) 533-6460.

Unfortunately, Missouri's chronically underfunded higher education system is short of the resources it needs to make our state a prime competitor. After a close look at Missouri's public colleges and universities, the Task Force found that by far the most important issue is funding. It is a problem that manifests itself in many different ways:

- o Public institutions in the state find themselves increasingly unable to pay the salaries needed to attract and retain qualified faculty. (On the average, universities of similar size and rank in other states offer about 20 percent higher faculty salaries than Missouri schools.)
- o Academic research in Missouri is seriously underfunded--at a level about 40 percent below the national average on a per-faculty-member basis.
- o Students are taught on antiquated computers and outdated scientific equipment, when the equipment is available at all.
- o Costly buildings are deteriorating for lack of money to repair them.
- o High tuition rates mean that many students from middle-income and low-income families are simply priced out of an education in Missouri; scholarships, grants, and loan programs are so underfunded that many eligible students cannot receive financial aid from the state.
- o Missouri ranks 43rd in the nation in its student enrollment load; that is, the portion of the state's high school graduates who go on to enter its colleges and universities.

A recent survey revealed that most Missourians think their state ranks in the top half of the 50 states in support for higher education; in fact, it ranks 45th. In terms of academic ranking, no public institution in Missouri is rated in the nation's top 50 universities by the internationally respected Gourman Report. Corporate and business leaders from all parts of Missouri have written to the Task Force to express their concern about whether the state's higher education system is able to meet the needs of their companies and their workforces.

All of this must be put in the context of the state's revenue resources. Missouri is not a poor state. Nationally it ranks 27th in its capacity to generate revenues, and the state has a very low tax effort. (Tax effort measures how much of state and local government's tax capacity is actually used.) In this respect, Missouri uses only 81 percent of its tax capacity, ranking near the bottom of all states at number 45. In terms of tax effort for corporate income taxes, Missouri ranks last among those 46 states who have a corporate income tax.

CONCLUSIONS

Conclusions express the value judgments of the Task Force, based on the facts.

- o *In a competitive international environment, there is a direct relationship between education and economic development. Economic productivity in Missouri increasingly depends on educated citizens.*
- o *More money is needed, and soon, to halt the exodus of the best professors out of Missouri, to provide computers and scientific equipment for students, to repair substandard buildings, and to assure that eligible Missourians can go to college. We cannot delay funds for these first-priority needs until secondary issues are studied. Funds raised for higher education should be earmarked for five years for that purpose rather than placed in the general fund.*

- o Reallocation is part of the normal operations of any business, including higher education. To be effective, managers must understand the process of reallocation and be prepared to shift resources from low-priority activities to those with higher priority. It is important to understand, however, that underfunded institutions--and Missouri's colleges and universities are demonstrably underfunded--cannot reallocate themselves to quality. It is not realistic to expect them to do so. Nor is programs duplication a real issue. Missouri's colleges reallocate more, and offer fewer programs, than their competitors in other states.
- o Competitive salaries and rewards for quality performance are needed to help Missouri universities attract and retain high-quality faculties.
- o To attract and retain a significant number of minority faculty and administrators, the state of Missouri must allocate sufficient resources, and chief school officers must demonstrate commitment to this effort.
- o Missouri does not have a sufficient variety of strong technical education programs in the urban areas. The demands of Missouri business and industry for technically trained persons (engineers, scientists, and skilled technicians) therefore exceed the supply. Missouri's institutions of higher education are generally lagging behind the nation's top-flight universities in research and development.
- o One of the major ways in which higher education contributes to economic development is through technology transfer. Recent examples of this technology transfer are the research parks, of which Missouri currently has two under development. Missouri has failed, however, to be as creative in these ventures as some of her neighbors.
- o Missouri needs a coordinated program of economic forecasting and strategic planning involving the state, the universities, the business and industrial community, and economic development organizations in order to identify the needs of Missouri, and ensure that the resources are in place to educate and train its workforce.
- o Qualified students should not have to forego a college education because tuition, room and board, books or transportation cost too much. In Missouri, while the state pays much less of the cost for higher education than the average, its students pay more. It is not appropriate, nor is it feasible, to expect students to pay costs that are the state's responsibility. Because grants comprise a dwindling share of available financial aid, students and their families are deeper in debt after graduation. Students from many low-income families are denied access to higher education altogether. The Task Force strongly believes that Missouri should increase its need-based scholarships.
- o Missouri's private colleges and universities educate the full-time equivalent of 49,304 students annually, and are important to the educational life of our state. They receive little state funding. Even with state scholarship funds--a maximum of \$1,500 for the need-based Missouri Student Grant and \$2,000 for the non-need-based Bright Flight grant--independents are priced beyond many students. While independent institutions cannot substitute for state-subsidized public institutions, their role in higher education is too vital to be jeopardized by public financial aid that does not keep up with inflation and rising costs.
- o Missouri's minority population constitutes a growing proportion of the workforce, a workforce in which at least some higher education is mandatory. To compete in future world markets, and to assure equality of opportunity, Missouri must do a much better job of educating its minority population for full partnership in the workforce of the future.
- o Missouri's community colleges will play an increasingly important role in providing training for business and industry, and must have the resources to meet this need.

RECOMMENDATIONS

Recommendations are the Task Force's specific suggestions for change, based on the facts and conclusions.

- o Missouri has paid too little for public higher education to allow it to function effectively into the next century or even to meet the needs of today. The Task Force recommends that an additional \$300 million be raised to meet on-going needs and that a one-time amount of \$311 million be raised to meet immediate capital needs. Annual debt service of \$32 million for financing of the one-time cost should be added to the \$300 million to be raised each year. The \$300 million of on-going funds, which should be earmarked for

five years solely for higher education, will be used (a) to attract and retain qualified faculty; (b) to assure that no student is denied a college education because s/he can't afford the cost; (c) to acquire computer and scientific equipment that is adequate to train Missouri's citizens for good jobs; (d) to offer academic courses that will help Missouri compete not only with Midwestern states, but nationally and internationally; and (e) to repair buildings on campuses throughout the state so that teachers can teach and students can learn in safety. The one-time amount of \$311 million should be raised so that Missouri's schools catch up to those in other states in instructional equipment, and to pay for long-deferred maintenance of campus buildings.

- o The additional funds should be raised through a combination of individual and corporate income taxes within a revenue framework that improves Missouri's low rank as a contributor to higher education, but maintains the state's attractively low tax rates.
- o Undergraduate programs must be reevaluated, modified, and strengthened to focus on one of their primary functions: preparing individuals with in-depth skills for analysis, synthesis, and communication so they can responsibly contribute to society and to the social and economic development of their community.
- o The Missouri Student Grant Program should be expanded to provide aid to all eligible students, and the maximum grant should be increased from \$1,500 to \$3,000 to keep pace with inflation and rising tuition costs. Part-time students should be served, too, by funding the Competitive Scholarships for Part-time Students.
- o Missouri's institutions of higher education must escalate their efforts to recruit and graduate minorities and must have the resources needed to do so.
- o Increased funding is required to raise faculty salaries to a competitive level, endow chairs, and create stipends that attract the faculty talent and research that Missouri needs for its targeted economic development.
- o Missouri must develop graduate programs that are spheres of excellence. The state and private sector must increase their investment in graduate research that will spin off into new businesses and new technologies. Missouri must also sustain and support existing programs of regional, national, and international renown in all areas--including the humanities--because these programs enhance the state's reputation, attract faculty and student talent, and generate new academic and economic activity.
- o Missouri must develop additional technical centers and institutes for engineering and the sciences to support existing industries, such as aerospace, auto manufacturing, and chemicals, and to attract the new advanced-technology industries. The state, through its institutions of higher education, should take the lead in assisting companies that face declining opportunities for growth, such as defense companies, to reorient their planning and production.
- o Universities and industry must target the growth industries for the 1990s and develop the intellectual and economic environment to attract these industries. Coordinated strategic planning can make clear the workforce needs of Missouri's business and industry and link those needs with the missions of its institutions of higher education.
- o The university extension service model should be applied to areas other than agriculture. Research programs in engineering and science should adopt the same sense of mission and initiate cooperative research and training opportunities with local business and industry. Direct program and facility investment by the state and the University of Missouri in its research parks will be required in order to create the catalyst necessary to attract private investment. Consulting services in which the university and industry can be reciprocal resources need to be explored and developed.
- o Community college districts should be expanded to encompass parts of the state not currently served by community college programs.
- o Missouri's higher education system must be able to educate its students and all of its electorate to the realities of the global marketplace.