At the U. of Arizona, Goals Collide With Reality

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

Last summer the university was already looking for ways to significantly overhaul its operations, but those changes alone won't be enough to offset the reductions in state aid.

Campus leaders feel that their core mission is at stake as they struggle to make a case for the research university to a governor and key legislators, many of whom have found success in life without having earned four-year degrees.

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.

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 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 public 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, said 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, they cut an additional 13 percent, or $141-million, from the state's three public universities, the largest dollar reduction from any one part of the state budget. The estimated budget gap for the next fiscal year, which begins on 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 retirees. 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, said the Arizona Department of Revenue.

The bursting of the home-mortgage bubble nationally 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 still lost more than 166,000 jobs over the past year, the sixth-highest number in the nation, said the U.S. Bureau of Labor Statistics.

**Political Hurdles**

In the face of Arizona's economic struggles, 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, who is a 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 that although higher education was a priority for members of his party, it did not take precedence over services like health care for low-income families.

Tommy Bruce, president of the University of Arizona's student association, acknowledged 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, see a persistent bias in the Legislature against the universities. Some members 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, describing as "corporate welfare" any appropriations to support research
partnerships between businesses and colleges, and criticizing the salaries of some campus
leaders.

Other university advocates said lawmakers' negative views of higher education 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. Nor does Gov. Janice K. Brewer, a
Republican, although she earned a professional certificate as a radiology 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, who is 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 was
skeptical of the economic benefits of college degrees to individuals.

Rep. Rich Crandall, a Republican who is chairman of the House Education Committee, holds
degrees from Brigham Young University and the University of Notre Dame. He 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 institutions need to do more to
improve, he added, such as by making more courses available online: "The question becomes,
Are you adapting to the changing world?"

**Pulling Back**

The University of Arizona is adapting to reductions in state aid by dumping degree programs that
graduate too few students and limiting programs to areas in which it thinks it can become a
national leader. The goal is to cut spending on administrative operations and increase overall
revenue by ensuring that Arizona is competitive for research money in key areas. The university
had nearly $270-million worth of federally financed research in 2007, 10.5 percent less than in
2006. That decline put a dent in progress the university made in increasing such funds since
2000, but it still ranked 29th in 2007 among all colleges in federal research money.

"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. He
leads a group of deans who are planning what programs the university will keep or jettison as it develops a 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 approved their request to bolster revenue by increasing the limit on out-of-state undergraduates from 30 percent to 40 percent beginning this fall. Tuition for out-of-state students is more than three times that for in-state students.

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

"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 being planned by Ms. Hay and the 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.

Over all, campus officials expect the plan to save as much as $12-million after 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

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 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 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 limit 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 being considered for elimination, rely on existing courses in both engineering and mathematics.

Cuts in programs may also drive some students away, including nonresidents, whom 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 colleges and a lot of students.

The population of Arizona grew by 23 percent from 2000 to 2007, according to the 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 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, as secretary of homeland security, has told lawmakers that she supports a $1-billion increase in taxes in each of the next three years, along with $1-billion in spending cuts. She proposes to cover the final billion dollars of the state's shortfall for the 2010 fiscal year with federal stimulus money.

Ms. Brewer has not recommended 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 university financing, the Board of Regents is considering a plea to voters or the courts for more state money. Regents 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 on the basis 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?" he asked. "The goal is not to drop a bomb on the Legislature. It's a move to hold the Constitution out as a model."

Jeffrey Brainard contributed to this article.

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