## THE CHRONICLE

## of Higher Education Commentary

Home Opinion & Ideas Commentary

October 30, 2011

## **Colleges Must Find Innovative Ways to Finance Their Missions**

By E. Gordon Gee

At this moment, American public higher education faces a reality check of the highest order. Distilled to its essence, the concern takes us back to first principles: Who are we as a community of learners, and how do we reconfigure ourselves for a financially sustainable future? Even in Ohio, where state government is supportive and understands our public universities' critical role, we must face facts squarely. The pie—our resources from both the state and the federal government—is unlikely to get any larger than it is today.

This nation and our world are not merely in a recession; we are also experiencing a resetting of the global economy. All signs point to a new normal in which those of us engaged in higher education must accept that no amount of pleading or whining or denying will alter what now seems an inexorable reality. We will earn what support we get by virtue of our excellence—and our hustle, our ingenuity, and our creativity.

Indeed, my own role as a university president is shifting. No longer is it sufficient for me to argue Ohio State's case for financial support with legislators and alumni and friends. Those constituents are fully supportive, and they are stepping forward in the most generous ways possible. Still, to ensure that my institution is able to pursue its mission with unbridled passion and purpose, I must do more. I must look further for the resources required to fuel the work of our faculty, staff, and students.

Each and every day, I grapple with the central question of how to finance a great public research university in a future of radically changed financing.

Earlier this month, I delivered my annual fall address to the faculty, and that was the major theme I explored. My aim was to set off what will be a cascade of conversations in department meetings, faculty senate meetings, town halls, small lunches, and other settings throughout the year. We must ask ourselves a series of questions that are critical to our existence. We must ask how we sustain ourselves, how we fund excellence, how we invest in new ideas and

new partnerships, and how we extend our reach even further to those in need.

I do not know all of the answers, but my firm belief is that we must seek fundamentally new ways to fund our core purposes, and we must reshape and simplify ourselves both to make it easier to do what we need to do and to save time and resources in the process. Reconceptualizing how we finance our core mission is not recession thinking, it is future thinking.

As a starting point, this means the following: finding innovative ways to leverage the market, assessing university-owned assets and considering shedding those that do not contribute to our central mission, commercializing technological innovations, and simplifying processes.

Last week Ohio State University issued a Century Bond, the first public university in this country to do so. Demand was so great that we raised the amount of the offering to \$500 million. The interest rate was the lowest ever on this type of bond, which allows the university to pay out only the interest for a hundred years and then make a full payment of all the principal. Good economic timing helps: Investors are seeking safe and durable investments and, I am proud to say, they judged the university to be a wise investment for the long haul.

This is clearly a creative way to get an infusion of capital, which will be used for building projects over the coming decades, and it comes at an all-time low cost. Because of the long life of the loan, we will set aside a small portion of our general receipts (less than \$20-million) and invest it. Assuming a very modest interest rate, we will earn back the loan amount over the course of the payback period.

I will say that my recent faculty address was perhaps better attended than usual because one topic I was assumed to be commenting on was the potential leasing of the management of campus parking operations. We are studying this issue and asking what the market might bring, and, if the offer is sufficient, what parameters we would put around the management and pricing structure.

Now, a faculty discussion about parking might seem less than strategic. And yet we must consider all options that can ennoble our institution for generations to come by providing funds directly to our core purposes. No one is learning art history or chemistry in a 9-by-18-foot parking space in one of our garages, but what if we could turn that parking space into a teaching position? Or a research grant?

Along those same lines, this past spring and summer we began using a new approach to commercializing our technology innovations. Ohio State's tech-commercialization effort is just beginning, but we believe it holds great promise—for bringing innovations by faculty members to market, for rewarding them for their work, and for helping to sustain the university in the process. Doing so is not turning the university into a business, it is enabling us to support our core academic values despite volatility in the world around us.

While we are gaining new money on one side of the balance sheet, we are also reducing expenditures on the other side. Ohio State is a large and complex university, and we are making strides in simplifying what we do. For example, through efforts to streamline procurement, financial, travel, and other processes in the nonacademic units, the university saved \$5-million last year, we are projected to save \$20-million this year, and we are likely to save \$50-million annually thereafter. That money will be funneled directly back to support the work of our faculty and our students.

The gains come through seemingly simple things: reducing the number of people who process transactions; making routine products centrally available for purchase online; thinking twice before sending a courier instead of using UPS. These are institutionally driven changes that do not impinge upon individual freedom. They do not change the quality of services we provide. They do not impact the quality of teaching or research. But the savings are enormous—and now that they have proved successful, they will be expanded upon in the coming year.

Taken together, these approaches to our financing streams are new and vast, some might even say radical. Yet a sea change is precisely what is required to ensure that my own institution, with its noble land-grant mission—to improve lives and enrich communities—not only endures but also thrives. We teach, we learn, we think, we discover, we write and create in service of our students, our community, our times, and our future. That will never change.

E. Gordon Gee is president of Ohio State University.

| DISQUS |  |  |  |
|--------|--|--|--|
|        |  |  |  |

Copyright 2011. All rights reserved.

The Chronicle of Higher Education 1255 Twenty-Third St, N.W. Washington, D.C. 20037