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# Alternative Models of Funding Higher Education: Past and Present Trends

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## Chapter Seventeen

### Alternative Models of Funding Higher Education: Past and Present Trends

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### Shifting conditions

Over the past several years, organizations related to higher education have reported concerns about the trend of college tuition rising above the inflation means. The complexity of attending tertiary education is correlated to financial issues. Following the trends that the National Center for Education Statistics has mapped over the last decade, undergraduate tuition, room, and board for public colleges in the United States in 2009–2010 cost an average of \$12,804, while it was \$32,184 at private institutions. Between 1999–2000 and 2009–2010, prices for those services at public institutions rose 37 percent, and they increased 25 percent at private institutions, after adjustment for inflation.<sup>1</sup>

If the same comparison starts in 1980, it is possible to see that higher education cost has multiplied six-fold, while the consumer price index shows an increase of two and a half times, according to a recent article by Archibald and Feldman for *Forbes* magazine.<sup>2</sup> The two professors point out at least three major reasons that higher education is such an expensive enterprise. First, education is still an “artisanal” industry that has not been able to reduce costs through technology, as other industries have. Relationships between professors and students are central to a good quality education, and that comes with a high price tag. Second, higher education requires highly educated employees, driving human resources investment sky high. This process is becoming more intensive and expensive, pushing universities to compete for the best possible workers. Third, rapid technological changes affect what universities and professors do in order to keep up with new techniques. Laboratories, experimental machines, and cutting-edge devices demand more funding and cause a spiraling of costs.

On the other side of this equation are families and students trying to cope with all of the financial pressures. According to The College Board’s report, “Trends in College Pricing 2010,”

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Over the three decades from 1979 to 2009, average family income declined by 7% (\$1,226 in constant 2009 dollars) for the poorest 20% of families. Average income rose 11% (\$6,057) for the middle 20% of families and 73% (\$136,794) for the wealthiest 5% of families. In 2009, median income for black and Hispanic families was less than 60% of the median for white families.<sup>3</sup>

Personal income is, every year, falling short of being able to pay regular college tuition.<sup>4</sup> A growing number of students in Adventist universities and colleges are coming from low-income families and minorities. This poses great challenges for leaders who want to reach all of the church's youth with a good Christian education.

Living costs are another important component that make college difficult to afford. Some students receive grants and other types of financial aid, but as The College Board's report asserts, "It is also important to remember that for many students, the largest component of the cost of being a student is actually the result of devoting time to schooling rather than to the labor market."<sup>5</sup> According to the same report, students try hard, especially through loans, to get a college degree, for they know that more education leads to better earnings throughout life.

Universities respond to increasing costs using, predominantly, financial aid. It is somewhat a paradox that universities increase their tuition and, at the same time, their financial aid. The primary reason is that they have to do so or they would fall short in enrolling students.<sup>6</sup> How do universities afford financial aid? Many universities use grants from alumni, non-profit organizations, government, businesses, endowments, and so on. The problem is that financial aid has not kept up with the climbing costs. Students often have to take loans in order to finish college. In an attempt to help students avoid this, several Adventist universities have created packages of financial aid. For instance, in 2002, Andrews University administration launched a special scholarship package called Andrews Partner Scholarship (APS) that gave up to a \$6,000 discount depending on GPA, ACT, or SAT scores. That money was not enough for many students, since full tuition, board, and food at that time cost more than \$20,000 per year. There were some other small grants that students could apply for, but they were few. Ideas like the APS scholarship and others were and still are a help for many students and their families. However, universities and colleges may put themselves in a difficult financial spot by giving scholarships. They need to be very careful

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to avoid lack of cash and high internal debt. However, this initial APS scholarship program was followed by most of the Adventist universities in North America and is currently well accepted and promoted.

An increasing source of funds is loans that may supply more than half of student needs. As Lane stated in 2003,

The “Losing Ground” report says that since 1980, federal financial aid has shifted from a system mostly reliant on need-based grants to one based mostly on loans. In 1981, loans accounted for 45 percent of federal aid, while grants constituted 52 percent of awards. In 2000, loans represented 58 percent of federal aid, while grants constituted only 42 percent of the awards.<sup>7</sup>

These trends are even worse in 2011. According to “The Project on Student Debt” of the Institute of College Access and Success, 72 percent of students from private not-for-profit schools, Adventists among them, ended college in 2008 with loans close to thirty thousand dollars.<sup>8</sup> The *US News & World Report* ranking reports several Adventist schools among the most indebted colleges in the country. To make things more difficult, unemployment has increased since the economic crisis of 2008, and graduates don’t necessarily find jobs to repay their loans. Tuition is becoming more and more distanced from affordability.

Having strategies to help students pay increasing college tuition is crucial for the survival of a university and also for attracting and retaining students. This is a particularly important issue for Seventh-day Adventist universities in the United States.

### **Models of universities and funding**

Besides teaching and service, producing knowledge is one of the main goals for universities.<sup>9</sup> Over the past thirty years, new discoveries have been linked to profit through the commercialization of inventions. This is not only a new way of increasing universities’ impact on society but also a funding alternative for leading research institutions.<sup>10</sup> Universities seem to be in a race for resources and prestige.<sup>11</sup> There has been a remarkable shift in the relationships between universities, the private sector, and the public sector.<sup>12</sup> Government legislation such as the Bayh-Dole Act of 1980 in the US has encouraged nonprofit organizations and small businesses to retain the property rights to inventions derived from federally funded research.<sup>13</sup>

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Thus, the commercialization of research is permitted and encouraged through patents and the profitable licensing of university-industry-government partnerships. Legislation like the Bayh-Dole Act was implemented as a response to international events like the end of the Cold War and the rise of economic globalization, which prompted governments and businesses to operate under new paradigms.<sup>14</sup>

Universities, especially the elite ones, are being refocused to become more competitive in a worldwide economy. By doing so, they hope to improve society. This is not problematic as long as having a group of leading research universities is but one alternative model among others. However, only a very few universities can be productive and compete for these alternative sources of funding and prestige.<sup>15</sup> The dilemma is that many universities are trying to copy<sup>16</sup> what big-league schools are doing without understanding that not all institutions are capable of emulating them and that there should be some other purposes for higher education.<sup>17</sup> In other words, research universities should not be seen as the “wannabe” model for all of higher education. These institutions are a much needed and valid model for post-secondary schools, and training researchers is highly necessary. But not all people will follow that path, nor does society require it. This does not mean that college students have to learn a profession without practicing and acquiring some research skills for solving problems. Above all, doing research must be a central focus for all (in this case) Adventist universities, but not only for the sake of funding or prestige, although that can be part of a strategy universities may pursue. An inquisitive mind is one of the core values of truly Christian education, as Ellen White stated in the book *Education*:

It is the work of true education to develop this power, to train the youth to be thinkers, and not mere reflectors of other men's thought. Instead of confining their study to that which men have said or written, let students be directed to the source of truth, to the vast fields opened for research in nature and revelation. Let them contemplate the great facts of duty and destiny, and the mind will expand and strengthen.<sup>18</sup>

This is a general goal for higher education that very often is forsaken or pushed aside by educational administrators and even professors.

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Universities should pursue expanding the frontiers of knowledge and train students to do the same thing.

Although many governments, ranking systems, and accrediting bodies recognize and advocate for a broad spectrum of higher education institutions, when it comes to defining parameters of quality and accreditation, research production is the key factor. To prove this point, the reader can double-check the criteria of ranking systems used for classifying universities. This system sends a message to administrators and professors: “If you want to become successful, be recognized by your colleagues, be promoted, and get funds for projects, you must publish.” One may ask whether this kind of university model will lead to a more affordable Adventist education and a more stable budget. It is very difficult to see how Adventist education could even come close to competing for a position amongst national-level universities. That does not mean that they should not produce research output. But research funding is highly complex and selective. Adventist higher education, with a few exceptions, may deplete its few resources by going after this model of funding.

On the other hand, many colleges and universities set tuition as the most important source of income for their budgets. This model is an extension of an academy type of management that revolves around enrollment. Certainly, students are a key piece for funding, but as a college evolves from small to large and then to university, this simple formula brings in a lot of uncertainties. Tuition-driven budgets put administrators in a difficult spot. Every single semester is a “we’ll see” project. It is a complicated proposition to provide stability with an unstable source of income. This type of revenue is volatile and may cause serious problems to providing continuity in Adventist education. Universities need a wide range of funding systems.

### **The church as a source of funding**

Since the beginning, the Adventist Church has founded and funded universities as an extension of its mission in this world. As the church and its organization grew, over time the funding system became more complex.

The relationship between the church and its tertiary education system can be seen from at least three models of financial support worldwide, assuming that higher education runs in the same mission direction.

*Highly dependent institutions.* These schools depend heavily on church support and serve almost exclusively an ecclesiastic territory. The majority of European seminaries are an example of this. Many of them don’t even enroll two hundred students. Another example is the Adventist International

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Institute for Advanced Studies (AIAS) in the Philippines. It is mainly funded by the General Conference to assist the church with programs in education, business, theology, and some degrees in health. If the church organization were to withdraw funding, a large number of these institutions would collapse. Nearly every one of their graduates enters the Adventist organizational system. Here church and institution go hand in hand in an interdependent relationship. Adventist universities in America don't have this type of support anymore, although it is possible to find programs that the church supports, such as the Master of Divinity program at Andrews University. This degree is open to pastors from the entire world field, although it is mainly designed for the North American Division. The program is a complement for a bachelor's degree in theology, and it is inexpensive when compared with other master's programs at the same institution.

*Semi-dependent institutions.* This is the biggest group of Adventist colleges and universities. The majority of these institutions were created with strong administrative and financial church support, similar to the previous group, but they evolved into more autonomous schools. They continue serving to produce the traditional human resources (i.e., health, education, accounting, and pastors) the church needs. But over time they have diversified their programs, and many, if not the majority, of their graduates do not work for the church organization. The church adds funds for some programs, students, and human resources, but the semi-independent schools must generate lots of alternative income to survive. Many schools like these have industries, services, and a wide range of programs to attract and support students. However, in many cases, the church still exerts a strong influence on some of the key administrative decision-making through, for instance, college boards.

*Almost independent institutions.* This is the most difficult group to track and to classify. These universities have more resources than the previously listed ones and are becoming more entrepreneurial as they look for new ways to market themselves. These universities are more oriented to producing research and services at a high level of specialization. They have accrued human resources and facilities to compete for external funding, such as research grants and projects. In doing so, they are slowly walking away from the traditional church model and copying secular models that pull them to play by outside rules. A good example of this is Loma Linda University. If compared with the previous models, this type of institution has leadership that aligns and cooperates with the church's mission, but the church



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governing boards exert less influence on decision-making than at the semi-independent schools.

In short, the church organization has and will continue to give financial support for Adventist tertiary education. It is important to note that as the church becomes less involved in financial support, its influence also tends to moderate.

Depending on the stage a university has reached, it may still benefit from the church's funding. However, the majority of Adventist higher education is going toward a *more independent* source of funding. This is probably caused by the increasing costs of higher education and not necessarily a lack of church leadership support. Since universities are becoming more complex, it's very important to create new avenues from alternative incomes. As the saying goes, *the more legs a table has, the better*. This can be a good metaphor for understanding higher education funding.

### **Alternative funding for higher education**

Since their beginning, Seventh-day Adventist schools have had a particular approach to financial issues. Any boarding school or college was built upon the central idea of hard-working, self-supporting students who were educated with a holistic approach. Even though different cultural, economic, and social conditions exist in the early twenty-first century, it is possible to find some principles that can be useful for existing higher education.

Industries had a double purpose, as White expressed in *Counsels to Parents, Teachers, and Students Regarding Christian Education*:

How much might be gained if the self-supporting plan were followed! The student would often be enabled to leave the educational institution, nearly or wholly free from personal indebtedness; the finances of the school would be in a more prosperous condition; and the lessons learned by the student while passing through these experiences in the home field would be of untold value to him in foreign fields.<sup>19</sup>

Based on this model, many institutions were able to provide an affordable Christian education to low-income families. An example of how this system used to work can be found in the dairy of Andrews University, which has produced remarkable results with cows that have even won prizes for their milk quality and productivity. This farm still offers jobs for students in the

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twenty-first century. But unfortunately, since the 1980s and 1990s, many institutions have shut down valuable extra sources of income by closing similar industries. The analysis of these trends goes beyond the scope of this paper, but it can be inferred that many administrations did not adjust their management to the shifting conditions that impacted businesses or industries in the colleges. In other words, it became very tough to provide profitable jobs for students. In the current climate, many schools still do offer part-time jobs to students, mainly in service areas. Unfortunately, those jobs are few and don't bring in the amount of dollars students need for surviving college without debt.

In spite of the many barriers and difficulties colleges face, several institutions are trying out some alternative sources of funding outside the Adventist system. One of them is College of the Ozarks in Missouri. This Christian institution is unique because *it charges no tuition*. All full-time students work fifteen hours a week to offset the costs of education. This institution is able to offer a combination of options that make both parties happy. Students walk away from college without debt, and the school raises what funds are necessary for paying all the expenses. How do they do this? The College of the Ozarks has eighty areas of work, including services like those found at other universities. Some of these are small businesses with profitable returns. Also, the college has an endowment and a well-organized set of donors who help to support scholarships, as can be seen in Table 1 below. The financial aid not only comes from the school and donors, but also from various grants and federal and state scholarships. Students receive a very customized financial aid package in order to leave the school with a degree and no debt. Debt is openly discouraged.

**Table 1.** Funding at College of the Ozarks<sup>20</sup>

<b>Cost of Education for students who receive federal and state aid (2011-2012)</b>	
Cost of Education (2011-2012)	\$17,600
C of O Work Program	-4,060
Pell Grant (if eligible)	-976 to 5,550
Supplemental Educational Opportunity Grant (if eligible)	-1,000
Missouri State Grants (if eligible)	-1,900
C of O Cost of Education Scholarship	-5,090 to -13,540
<b>Cash Cost to Student</b>	<b>\$0.00</b>

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**Table 1.** Funding at College of the Ozarks<sup>20</sup>—*continued*

<b>Cost of Education for students who do not receive federal and state aid</b> (2011-2012)	
Cost of Education (2011-2012)	\$17,600
C of O Work Program	-4,060
C of O Cost of Education Scholarship	-13,540
<b>Cash Cost to Student</b>	<b>\$0.00</b>

Students can choose either to pay for room and board or to work in a summer program. Working on campus forty hours per week for six weeks can pay a semester's room and board of about twenty-eight-hundred dollars. For the whole year, it is necessary to work twelve weeks of forty hours each. This is a good way for poor students to afford their education. The school also makes an impressive effort to keep costs as low as possible.

In a hard work environment, one may wonder whether this school has good levels of quality. Surprisingly, the *U.S. News & World Report Best Colleges Guide 2010* reported this college as one of the ten best in the southern US and first in least debt for many years in a row!<sup>21</sup> *Princeton Review's* "The Best 373 Colleges" has also classified this school among the best in many areas. *Forbes'* "America's Top Colleges" has put College of the Ozarks in the list of forty best-quality colleges in the Midwest region.<sup>22</sup> This Christian college of 1,300-plus students promotes high standards of behavior and morals, and it is also a very selective school, with an acceptance rate of only 10 percent.

Another interesting case for further study is Berea College. During the academic year, students work in more than a hundred labor departments in areas such as instruction, student services, general administration, facilities, academic support, crafts, industries, and student organizations. This school also has a wise combination of work, endowment, and donations to provide full-tuition scholarships to its students.

In short, using their industries and businesses to supply educational opportunities to low-income but hard-working young people, these two colleges are applying some of the central concepts of the Adventist philosophy of education. In addition, students also acquire what Mrs. White often called a "balanced education." Who can measure the impact of such an education as that? Students are learning habits and modeling their temper to real jobs that enable them to succeed in life, which is not an easy goal to attain.

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### **Final thoughts**

One may ask what has always been a stumbling block over the years at any given Adventist college or university. One possible answer is funding. But having the resources for keeping everything up and running is a more direct consequence (function) of adjusting appropriately than stuffing a certain amount of dollars in the bank. Perhaps, developing strategies based on Adventist education principles is the central concept upon which hinges a successful passing through tough times.

What to do next? It can be a difficult task to break through budgetary constraints in order to try out some alternative ways of funding. Inviting private donors and private funding to team up with small business may result in new opportunities for a school. However, donors must see a set of administrative structures that would allow entrepreneurial activities to succeed within a university. Very often managers at colleges and universities use academic boards to solve business problems. These boards are slow and sometimes very inefficient in decision-making, while speed and efficiency are key elements for running a prosperous business.

Organizing seminars of best practices among schools with factories and industries can be a good start to developing and regaining extra sources of income. Sharing what others are doing with success may prompt changes. There are many good and profitable examples in and outside America. With an entrepreneurial mind, leaders can provide financial support for poor but hard-working students. This is even possible in the twenty-first century.

There are very good reasons to *import* ideas into Adventist education and apply some strategies other universities are using to provide for their expenses. However, it is important to remember that with each funding system comes a set of assumptions that are not always compatible with Adventist principles. Funding at Adventist universities must come from a model of a Christian university more than just copying what others do. Higher education in North America seems to have lost its roots and walked away from a basic assumption Adventist education had, namely self-supporting education. Some universities may have to reconfigure their identity to proceed with a working program. It may be that a wise combination of jobs for low-income students with some alternative systems of support can be the solution. The universities with more human resources can explore funding from, for instance, research sources, as Loma Linda does. It is still possible to have an affordable education and be attractive to, first of all, Adventist youth.

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In short, funding activities should mirror the DNA of universities. One may ask: what is the purpose of an Adventist university? Is it to transform society through discoveries? That is part of the answer, but it is incomplete. Instead, it is also necessary to ask: why did early Adventist education promote a self-supporting system of funding? What are the principles behind these models? What kinds of students are Adventist universities producing? Industries or type of jobs may change, but not what Christian education looks for (mission or DNA) with any given activity. Many universities simply follow whatever is the current mode and do not act by conviction backed up in principles. Perhaps, providing an affordable Christian education is the biggest challenge Adventist education faces in the 21<sup>st</sup> century.

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