Decentralization in U.S. Public Higher Education: A Comparative Case Study of New Jersey, Illinois, and Arkansas

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Part of Section on Definitions

Governance

Governance is the formal arrangement put in place for making and administering decisions. "We define governance as the structures and the processes of decision making" (Carnegie 1973, vii). It is what determines the "locus of power and decision making" (Berdahl and Altbach 1981, 10).

Privatization and Deregulation,

When strictly defined, the three terms privatization, deregulation, and decentralization have very different definitions. However, theses terms are often used interchangeably and consequently have become confusing and less than precise in their meanings. They are frequently used interchangeably to describe the same phenomena. Through the following discussion of these three terms, the definitions and how the terms are used in this dissertation are clarified.

Privatization

> Pure privatization is the total transfer of assets and authority from the government sector to either the private for profit or nonprofit sector. This process is also referred to as "load shedding" (Bailey 1987; Morgan and England 1988; Reed 1997). The government bows out of providing or producing or being involved in any way in the provision or production of a service. Private entities assume responsibility for what was a government responsibility and function. "*Privatization* refers to a shift from publicly to privately produced goods and services" (Starr 1987, 125). Privatized entities or entities that have been deemed independent move into the private sector. They no longer are a part of the government sector. A decision is made that the government should no longer provide a whole category of activities. Privatization is often used as a means to shrink government and to reduce risk and cost. "Public sector privatization is typically viewed as a means of maximizing economic efficiency—reducing government costs while increasing the scope and quality of service delivery by transferring (or 'returning') government functions to the private sector" (Gilmour and Jensen 1998, 247). Privatization often occurs as a response to economic downturns when costs need to be shifted in order to maintain the service yet reduce the cost to government (Jones 1992).

The term privatization, over time, has had different meanings attached to it. There is "old privatization" that refers to contractual arrangements between government and the private sector (Johnson and Heilman 1987). This version of privatization includes "retaining collective financing but delegating delivery to the private sector" (Donahue 1989, 215). For example, states collect taxes, a part of which is used to fund welfare programs delivered by nonprofit organizations. There is more reliance on private actors to carry out the goals (Feignebaum and Henig 1994, 185), but the funding is from public sources. The concept of privatization has also included using market concepts wherever possible even when the function being carried out remains within the government structure, for example setting up competitive situations, relying on consumer choice, and adopting business principles

Privatization for some also includes moving from paying for a service with public money to paying for it with private money, even though the service is still provided by a government entity. Public higher education, in part, is an example of this when tuition is collected from students to pay for their education. Contributions from private sources for research and scholarships or the payment to higher education institutions to perform special functions (e.g., research, special projects) are other examples.

> By reducing the general fund and increasing the non-general fund proportion of the appropriation, the state transfers responsibility for funding higher education from the taxpayer to consumers. This policy treats higher education as a personal rather than as a social benefit. Its implementation augers the privatization of the state-supported colleges and universities. (Potter, Chickering, and Scherrens, 57).

There is also "new privatization" that in the United States is a post-1981 concept. It "involves private sector development and ownership of facilities as well as production and delivery of services" (Johnson and Heilman 1987, 468). "All areas of ownership, production, management, financing, and allocation" (Gilmer 1997, 16) are controlled by the private sector.

In any case, there is a shift, in whole or in part, of responsibility from the government to the private sectors. The institutional framework is altered "through which citizens normally articulate, mediate, and promote their individual and shared interests." It is an "institutional restructuring" (Feignebaum and Henig 1994, 186).

The various concepts that have been given the label privatization thus are: (1) private sector provision of a service once provided by the government along with private sector funding, (2) private sector provision of a service with public sector funding, and (3) public sector provision of a service with private sector funding (Donahue 1989).

<u>Deregulation</u>

Regulations are centrally mandated policies by which all applicable entities must abide. They are the policies and procedures that govern the various activities of individuals, entities, and systems: "the prescription of how institutions must deal with topics" (Jones 1995, 2). Some regulations control decision making, while others merely indicate how something should be accomplished. In either case it certainly can be argued that they lessen the decision-making authority of those to whom they apply. Regulations have come to symbolize lost decision-making power and are considered controlling mechanisms for those falling under them. Deregulation, on the other hand, means the lessening of regulatory provisions that govern individuals, entities, and systems. "Efforts to deregulate strip away the heavy, protective hand of central legislation, allow institutions more local authority and flexibility, and heighten an institution's ability and need to interact with the market and compete with other institutions" (The Future Project 2001, 5). More freedom to act is allowed. Deregulation is a term often used as a defining characteristic of privatization.

It is true that a decrease in the amount of regulation often occurs with privatization, but one does not necessarily follow the other. The lessening of regulations does not always mean that government control is decreased or that decision-making is shifted to a "lower" level of government or sloughed off to the private sector. And, as a corollary, regulation does not always mean a more centralized system. For instance, regulation may still exist in the form of stipulations in grants and contracts for services. These do not generally negatively affect basic decision-making. A determination of what actually happens is more important to any study of privatization than merely a review of existing, adopted, or repealed regulations.

In summary, when a service is both produced and financed by the public sector, it is considered a government service (for example, public K-12 education). Second, when a service is produced by the public sector and financed by the private sector, it is a government service with private funding (e.g., water and sewer). Third, when a service is produced by the private sector and paid for by the public sector, it is a government funded entity or individual who seeks out the service in the private sector (for example, vouchers). Fourth, when a service is both produced and financed in the private sector, it is a purely privatized activity (usually business activities) (Gilmer 1997).