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Why are colleges under pressure?

- Rising college prices
- Uncertain public funding
- Concerns about quality
Trends in tuition and fees (College Board data)
Trends in student debt (New York Fed data)
Why is college so expensive?

Costs of running a college continue to rise (health care, retirement plans, facilities, etc.)

Labor-intensive field that cannot use technology as well as some other industries (Archibald & Feldman, 2008; Baumol, 1967)

Administrative bloat??

Student needs/demands for services
Factors affecting state budgets

Higher ed is traditionally used as a balancing wheel (big increases during boom periods, big cuts during recessions)
Other priorities (health care, K-12 education, prisons) do not have a built-in revenue source such as tuition
States also have to maintain balanced budgets, which means that cuts have to be made in bad times
Student financial aid also runs through boom-bust cycles
Federal higher education funding

Federal government provides more higher ed funding than states, but much goes to private colleges
Two main sources of funding:
  - Research funding
  - Student financial aid (Pell Grants, student loans)
Federal funding has increased over time, but has not kept up with college prices
Higher Education Act reauthorization could affect federal funding
Concerns about quality

Student learning while in college (*Academically Adrift*)
Employer concerns about graduates’ preparation
Politicians’ concerns about subjects taught and whether they are relevant
Do administrators and faculty members work hard?
Accountability theory

Based on the principal-agent model (Jensen & Meckling, 1976; Spence & Zeckhauser, 1971)

Underlying assumptions:
- Agent (college) needs incentives to operate as the principal (funder) desires
- Agent’s behavior is inefficient and there is room for improvement
- Agent is dependent on the principal for resources (e.g., Aldrich & Pfeffer, 1976)
- Asymmetric information is a challenge—college knows more about its performance than a funder does
Why nonprofit accountability is difficult

Colleges are accountable to many different stakeholders, each of whom has different goals.

Nonprofit organizations attract individuals who are more committed to the organization's current goals (Dur & Zoutenbier, 2014; Rose-Ackerman, 1996).

Organizations may not have the know-how or capacity to improve their performance (Dougherty et al., 2016).

Outcomes of interest may be difficult to measure or attribute to one person.
Ways to game accountability systems

**Cream skimming:** Only serve students with the highest probability of success (Dougherty et al., 2016; Umbricht et al., 2017)

**Parking:** Not serving students with a low probability of success ("drowning the bunnies," NCLB research)

**Bubble cases:** Focusing on students on the margin of success (Dee et al., 2013; Lauen & Gaddis, 2016)

**Selective reporting:** Using flexibility in definitions to improve reported outcomes (who is in the *US News* cohort?)

**Cheating:** Literally making up results that look good (reporting false data, K-12 test score/graduation scandals)
Five types of accountability

Federal government
State government
Accrediting bodies
Internal constituents
Private sector
Federal accountability

Federal government provides as much funding for higher education as states do (Pew Research Center, 2015)

Financial aid follows a voucher model–students can take it to any recognized institution

Two main types of accountability:
- Low-stakes accountability (consumer information)
- High-stakes accountability (Title IV eligibility tied to outcome metrics)

But are these efforts effective?
Low-stakes federal accountability policies

Data reporting and disclosure requirements
- IPEDS
- Net price calculators
- Fire safety rules

Consumer information
- College Navigator
- College Affordability and Transparency Center
- College Scorecard
High-stakes federal accountability policies

- Cohort default rates (perhaps replaced by loan repayment rates in the future)
- Financial responsibility scores for private nonprofit and for-profit colleges
- Heightened cash monitoring regulations
- 90/10 rule for for-profit colleges
- Gainful employment (currently on hold)

Challenge: All of these are all-or-nothing systems, resulting in intense political pressure
State accountability

Four main ways that states hold public colleges accountable:

Higher education governance structures
State legislative and executive actions (tuition/fee controls, rules about tenure)
Informal signals from policymakers (threats against colleges that raise tuition)
Tying funding directly to outcomes

States also oversee and approve private colleges, but authority varies across states
Performance-based funding 101

Colleges traditionally funded based on enrollment and/or historical appropriations

About 35 states now use PBF—tying some funding to student outcomes

- Amount at stake, metrics used, and bonus provisions vary widely across states

Best empirical research has found generally modest effects, with evidence of unintended consequences (Hillman et al., 2017, Kelchen & Stedrak, 2016; Tandberg et al., 2014; Umbricht et al., 2017)

But more needs to be known about which provisions help and which do not
Accrediting agencies

All colleges have to be accredited by a recognized agency in order to receive federal financial aid (NACIQI)

- Regional accreditors focus on two-year and four-year colleges with liberal arts components
- National accreditors (faith-based and career-related) cover other segments of higher education

Part of a regulatory triad alongside states and the federal government

Certain programs (law, medicine, teacher education, etc.) have their own accrediting bodies for professional licensing purposes
Critiques of accreditation

Standards are too low, in spite of a growing focus on student outcomes
Lack of competition among regional accreditors
Peer review process may result in backscratching
Could limit innovation by limiting new delivery methods
Time-consuming and expensive, resulting in calls for differentiated accreditation from research universities
Programmatic accreditors can set resource requirements that hurt unaccredited programs in a college
Private sector accountability

Simplest form: Institutional reputation and prestige (harder to create than destroy)
Carnegie classifications group institutions based on degree offerings and mission—major focus for research universities
_Barron’s_ competitiveness rankings measure admit rates, ACT/SAT scores, and high school performance
Credit ratings are often overlooked but very important
College rankings: A love-hate relationship?

800-pound gorilla: *U.S. News & World Report* (who also ranks countries now!)


Other international rankings: *Times Higher Education*, Academic Ranking of World Universities, QS, Center for World University Rankings

Also a host of program-level rankings

Rankings heavily influence striving universities’ decisions
Students, faculty, and staff can also influence how a college behaves.

Faculty and grad student unionization is a hot topic at many public colleges.

- Less so at private colleges due to *Yeshiva* decision and NLRB turnover.

Shared governance varies in strength across colleges, but can be influential.

Campus protests and media attention also play an important role, particularly in the era of social media.
States often use unit record data to evaluate their public colleges.

But IPEDS and FSA data are crucial for three main reasons:

- Allows for states to examine private colleges if no unit record data exist.
- Allows for states to compare themselves to other states.
- Used by other stakeholders (feds, accreditors, private sector).

Let’s go through five key data issues.
Five key data issues

What short-term metrics are being measured?
What proxy measures are available for longer-term outcomes?
Should data be more rigorously audited to improve quality?
How can the ‘performance paradox’ be addressed?
Is it possible to have individual-level accountability?
States with unit record data can slice and dice as they like for academic outcomes.

Federal data in IPEDS is available for some subgroups of interest.

Earnings data are usually available for just federal aid recipients (Scorecard) or state residents (state systems).

Watch the Texas seekUT system that relies on a Census partnership.
We're good at measuring some important aspects of higher education
But we're lousy at measuring some short-term outcomes and impatient about waiting for long-term outcomes
What would some of those outcomes be?
And how could we get reasonably proxies?
Auditing data?

IPEDS has some basic quality control measures built in as people enter data.
But there are still errors left in after the final datasets are created.
IRS audits about 0.7% of taxpayers, while 60% of Pell recipients have their financial information verified.
The CDR process for checking data may be useful for high-stakes systems.
The ‘performance paradox’ (van Thiel & Leeuw, 2002)

Basic premise: As outcomes are measured over time, they will become less correlated with actual performance as colleges learn how to respond.

A few ways to reduce this concern:
- Use several measures that reflect different parts of colleges’ missions.
- Change measures on occasion (default vs. repayment rates).
- Actually talk with people!

But also avoid overly complex systems.
Individual-level accountability

Political pressures to hold faculty and administrators accountable for their performance
In some cases (football coaches, admissions directors), it's fairly easy to do
Much harder for financial aid counselors or English professors
Expect states and trustees to demand more individual-level data
Five questions for the future

Program-level or institution-level accountability?
Focus on growth or proficiency?
Fund on outcomes or enrollment?
Who determines academic and financial viability?
Is there political will to close low-performing colleges?