

10 Questions State Legislators Should Ask About Higher Education
ALEC – American Legislative Exchange Council
Rep. W. Belvin-October 11, 2011

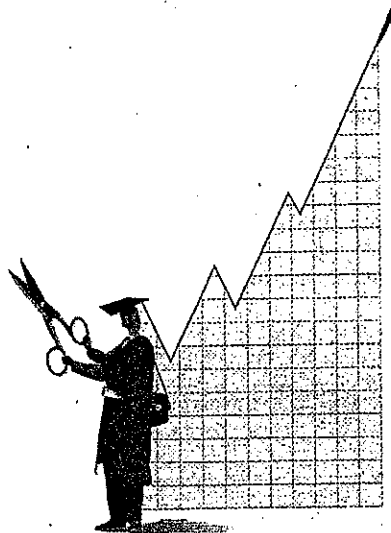
- How do American College completion Rates compare, and why do they matter?
- Are students prepared for college?
- What college-preparatory systems are in place, and do they sufficiently monitor if students are on track?
- How accessible is a college education?
- How is higher education financed?
- What is the price of a college education, and how affordable is it?
- How strong is academic quality?
- Are college students prepared to enter the workforce?
- How can accountability and transparency in higher education be improved?
- What innovations are being used in higher education to better serve students?

Ten Principles of Higher Education Reform
The Heartland Institute – Richard Vedder, Matthew Denhart

- Reduce third party payments
- Fund students, not institutions
- Increase transparency
- Don't push college on everyone
- Promote Lower cost alternatives
- Emphasize instruction
- Restructure University ownership and Governance
- Raise academic standards
- Measure institutional success by student performance
- Reduce barriers to entry and encourage accreditation reform

Schumpeter | How to make college cheaper

Better management would allow American universities to do more with less



DEREK BOK, a former president of Harvard, once observed that “universities share one characteristic with compulsive gamblers and exiled royalty: there is never enough money to satisfy their desires.” This is a bit hard on compulsive gamblers and exiled royals. America’s universities have raised their fees five times as fast as inflation over the past 30 years. Student debt in America exceeds credit-card debt. Yet still the universities keep sending begging letters to alumni and philanthropists.

This insatiable appetite for money was bad enough during the boom years. It is truly irritating now that middle-class incomes are stagnant and students are struggling to find good jobs. Hence a flurry of new thinking about higher education. Are universities inevitably expensive? Vance Fried, of Oklahoma State University, recently conducted a fascinating thought experiment, backed up by detailed calculations. Is it possible to provide a first-class undergraduate education for \$6,700 a year rather than the \$25,900 charged by public research universities or the \$51,500 charged by their private peers? He concluded that it is.

Mr Fried shunned easy solutions. He insisted that students should live in residential colleges, just as they do at Harvard and Yale. He did not suggest getting rid of football stadiums (which usually pay for themselves) or scrimping on bed-and-board.

His cost-cutting strategies were as follows. First, separate the funding of teaching and research. Research is a public good, he reasoned, but there is no reason why undergraduates should pay for it. Second, increase the student-teacher ratio. Business and law schools achieve good results with big classes. Why not other colleges? Mr Fried thinks that universities will be able to mix some small classes with big ones even if they have fewer teachers. Third, eliminate or consolidate programmes that attract few students. Fourth, puncture administrative bloat. The cost of administration per student soared by 61% in real terms between 1993 and 2007. Private research universities spend \$7,000 a year per student on “administrative support”: not only deans and department heads but also psychologists, counsellors, human-resources implementation managers and so on. That is more than the entire cost of educating a student under Mr Fried’s scheme.

Veteran university-watchers may dismiss Mr Fried’s ideas as pie in the sky. (“The only part of college not mired in tradition is

the price,” grumbles Ben Wildavsky, a co-editor of “Reinventing Higher Education”.) Yet some universities are beginning to squeeze costs. The University of Minnesota’s new campus in Rochester has defined teaching as “job one”. The Harrisburg University of Science and Technology has abolished tenure and merged academic departments. Regents at the University of Texas are talking about a \$10,000 undergraduate degree.

Mr Fried fails to mention an obvious source of savings. Americans could complete their undergraduate degrees in three years (as is normal elsewhere), instead of four. In practice, most American students take even longer than four years, not least because so many work to pay their tuition. Surprisingly, America’s future chainsaw-wielding corporate titans take a leisurely two years to complete their MBAs; most Europeans need only one.

Shai Reshef, an educational entrepreneur-turned-philanthropist, is pioneering an even more radical idea. His University of the People offers free higher education (not counting the few hundred dollars it costs to process applications and mark exams), pitching itself to poor people in America and the rest of the world. The university does this by exploiting three resources: the goodwill of academic volunteers who want to help the poor, the availability of free “courseware” on the internet and the power of social networking. Some 2,000 academic volunteers have designed the courses and given the university some credibility. Tutors direct the students, who so far number 1,000 or so and hail from around the world, to the online courses. They also help to organise them into study groups, and then supervise from afar, dropping in on discussions and marking tests. Mr Reshef pays for incidental expenses with \$2m of his own money and donations.

There are plenty of questions about Mr Reshef’s project. Can you really build a university on volunteerism and goodwill? Can students really be relied upon to do most of the teaching themselves? Will free courseware remain free? (Newspapers that used to give away content online are now putting up pay barriers.)

Mr Reshef’s university has yet to win accreditation, which could take years. But he can take comfort from Clayton Christensen’s classic book “The Innovator’s Dilemma”. Mr Christensen points out that innovators often start by offering products that are cheaper, but markedly inferior. Quickly, however, they learn how to improve their offerings. Even if Mr Reshef fails, there are plenty of other disruptive innovators around. In America, one tertiary student in ten already studies exclusively online. One in four does so at least some of the time, and a growing number of bodies, including elite universities, think-tanks, governments and international organisations, are putting first-rate material online.

The coming campus rumpus

Sometimes when academics grouse that there is “never enough money”, they are justified—big science costs big bucks. But higher education is nevertheless marred by inefficiencies and skewed incentives. Students pay to be taught, but their professors are rewarded almost entirely for research. Mr Fried’s calculations suggest that one can slash costs without sacrificing much that students value. Mr Reshef’s experiment may fail, but there is no doubt that universities need more experimenters. The cost of tuition cannot forever rise faster than students’ ability to pay. Industries that cease to offer value for money sooner or later get shaken up. American universities are ripe for shaking. ■

When Big Government Goes to College

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Poor Sarah Lawrence. Well, maybe poor isn't the right word.

In an entry just posted on the Inside Higher Ed Web page, the president of Sarah Lawrence College gamely addressed what has become this liberal arts school's most notorious distinction: a price tag of \$58,716 (including tuition, fees and room and board) for 2011-12, which makes it America's most expensive college.



MAIN STREET
By William McGurn

In her essay, president Karen Lawrence (no relation to Sarah) argues that the issue is not price but value. She acknowledges the premium that her school commands, but likens it to the price differential between something "hand-crafted" and something "produced on an assembly line." And the sticker price is misleading, she says, because the school's average financial-aid award to students is more than \$34,000. Her defense, of course, reflects the received wisdom of most university presidents. It's also true that there are many other colleges right behind hers in the \$50K-a-Year-Club: 100, according to the Chronicle of Higher Education.

To the howls of parents outraged by these prices, Washington responds by saying it will send more federal dollars—with no thought that easy

government money might itself be part of the problem.

"Right now the incentives for our colleges and universities are all wrong," says Ohio University economist Richard Vedder, who runs the Center for College Affordability and Productivity. "It's wrong for colleges, who have no incentive to keep down costs. It's wrong for students, whose needs are ill-served by loans and grants that go directly to the school. And it's wrong for taxpayers, whose dollars are making education more expensive without expanding opportunity for those who most need it."

Translation: If you are a mom or dad with college-age kids and you think the system is rigged against you, you're right.

The way it works now is that people the universities deem rich pay the full sticker price. This might be thought to help subsidize the poor, says Mr. Vedder, but the college population today in fact has a lower percentage of people from the bottom income quintile than it did in 1970 (notwithstanding a massive increase in federal aid).

Meanwhile, those in the middle scrounge for subsidies—like Pell Grants and federal loans—that are not keeping up with the tuition inflation they are causing.

What a waste of human talent. Compared to other countries, the strength of American higher ed has been its institutional diversity: our state col-

leges, our community colleges, our Catholic colleges, our Harvard, our Hillsdales, and yes, our Sarah Lawrences. In almost every other aspect of American life—media, communications, shopping—our institutions today

The more the feds try to lower the cost, the worse the problem becomes.

offer Americans more options and flexibility than they did two decades ago. In higher ed, by contrast, we're stuck on the same one-size-fits-all model that worked back in the decades when only the very privileged went to college.

A good start would be a new structure for college financing that promoted genuine opportunity without feeding the inflation. It is supposed to solve, President Obama, alas, seems wedded to the same government-heavy approach he had for health care. Indeed, the "reform" he signed last spring—restructuring federal grants and loans—will likely fuel rising costs as schools absorb that money, spend it on their own priorities, and continue to raise tuition at rates that outstrip the Consumer Price Index. That's unfortunate, because with a little imagination and the right incentives, the possibilities are endless. Take Pell Grants.

Right now, a college student who graduates in four years with a perfect 4.0 grade point average gets less money than a student who takes six years and squeaks by with a 1.9. A more competitive—and imaginative—Pell Grant might tie it to performance, and maybe even give a cash bonus to a student who graduates in three years.

Or what if we allowed a private firm like Google to pay for a student's bachelor's degree in exchange for, say, 10% of that student's earnings for a set period after she graduated? Michael Poliakoff of the American Council of Trustees and Alumni suggests another possible reform: having federally approved accrediting agencies stop measuring inputs, such as faculty-student ratio, and start conducting performance audits of outputs such as what a university spends on instruction versus administration, what its graduation rate is, how its graduates fare in employment, and so on.

As usual, the Democrats have rightly pointed out a real problem—and proposed a government solution that only makes things worse. As usual, too, Republicans understand the flaw with the Democratic answer—and respond with the same but less (because they are, after all, fiscal conservatives). The rest of us look at the price tag for Sarah Lawrence and wonder: In what kind of world does that make sense?

Write to MainStreet@wsj.com

Time to Make Professors Teach

By Richard Vedder

No sooner do parents proudly watch their children graduate high school than they must begin paying for college. As they write checks for upwards of \$40,000 a year, they'll no doubt find themselves complaining loudly about rising college costs—even asking: "Is it worth it?"

It's a legitimate question. As college costs have risen wildly, the benefits of the degree seem less and less clear. Larger numbers of college graduates are taking relatively low-paying and low-skilled jobs.

The good news? There are ways to greatly ease the burden and make college more affordable, according to new data from the University of Texas at Austin. In a study for the Center for College Affordability and Productivity, Christopher Matgouranis, Jonathan Robe and I concluded that tuition fees at the flagship campus of the Univer-

sity of Texas could be cut by as much as half simply by asking the 80% of faculty with the lowest teaching loads to teach about half as much as the 20% of faculty with the highest loads. The top 20% currently handle 57% of all teaching.

My new study suggests a simple way to cut college tuition in half.

Such a move would require the bulk of the faculty to teach, on average, about 150-160 students a year. For example, a professor might teach one undergraduate survey class for 100 students, two classes for advanced undergraduate students or beginning graduate students with 20-25 students, and an advanced graduate seminar for 10. That would require the professor to be in the classroom for fewer

than 200 hours a year—hardly an arduous requirement.

Faculty will likely argue that this would imperil the university's research mission. Non-sense. First of all, at UT Austin, a mere 20% of the faculty garner 99.8% of the external research funding. Second, faculty who follow the work habits of other professional workers—go to work from 9 a.m. to 5 p.m. and work five days a week for 48 or 49 weeks a year—can handle teaching 200 hours a year while publishing considerable amounts of research. I have done just this for decades as a professor.

Third, much research consists of obscure articles published in even more obscure journals on topics of trivial importance. Mark Bauerlein, a professor of English at Emory University, once estimated that 21,000 articles have been written on Shakespeare since 1980. Wouldn't 5,000 have been enough? Canadian scholar Jeffrey Litwin, looking at 70 leading U.S. universities, concluded

the typical cost of writing a journal article is about \$72,000. If we professors published somewhat fewer journal articles and did more teaching, we could make college more affordable.

There are other things colleges could do to reduce costs, such as slashing bureaucracies or using buildings more efficiently. But by not extending the contracts of nontenured faculty or by phasing out tenured positions over time, universities could seriously cut labor costs.

The bottom line is that colleges typically spread knowledge about everything under the sun except themselves. It's time to change that. There's no better place to start than by closely examining the work load of those who absorb the lion's share of university budgets.

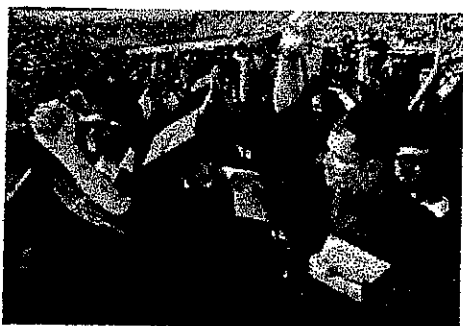
Mr. Vedder is a professor of economics at Ohio University and directs the Center for College Affordability and Productivity.

EDUCATION | AUGUST 4, 2011

College Grants Spared From Spending Cuts

By LAURA MECKLER

One federal program emerged with more money in the deficit-reduction deal signed into law this week: Pell grants, which help low-income students pay for college.



The Daily Camera/Associated Press

University of Colorado graduates this past spring. Pell grants, which are used for college, got a funding boost.

The White House and its allies cited the increase when they urged Democrats to vote for the broader legislation, which was almost all about cutting government spending.

The final deal "protects Pell grants from deep near-term cuts," Sen. Kent Conrad (D., N.D.) said Monday on the Senate floor. "I think most of us understand how important Pell grants are to providing opportunities to young, talented people all across America to improve themselves through higher education."

It was a rare bright spot for a White House that pushed unsuccessfully for a variety of other provisions, including raising taxes on certain corporations and wealthy individuals, extending a payroll-tax cut, extending unemployment benefits and

spending new money on infrastructure in hopes of stimulating the economy.

The deal to raise the government's \$14.29 trillion borrowing limit reduces federal spending by \$917 billion over 10 years. It also creates a special congressional committee to shrink the government's budget deficit by an additional \$1.5 trillion.

The \$17 billion increase in Pell-grant spending came at a price, with negotiators paying for it by killing federal subsidies for graduate-student loans. President Barack Obama had suggested that tradeoff in his budget, and other negotiators adopted it.

Under the eliminated program, lower- and middle-income graduate-school students didn't have to pay interest on their loans while they were still in school.

Killing the subsidy will affect about 1.5 million students, said Terry Hartle, senior vice president of the American Council on Education, a Washington-based advocacy group that represents university executives.

More than nine million students currently have Pell grants.

Cutting the graduate-school subsidies for 10 years provided only enough money to maintain Pell grants for undergraduates for two more years, through the 2013-2014 school year.

Before the deal, Pell funding had been set to drop in the 2012-2013 school year. That would have reversed a boost Mr. Obama had won in 2009 as part of the economic-stimulus program. It increased the maximum Pell grant by \$819 per student, per year to \$5,550, and it was renewed as part of an education plank of the health-care overhaul.

Mr. Obama views enhanced Pell funding as one of his signature achievements, and the administration pushed hard for it early on in the deficit-reduction negotiations.

The increase in Pell funding—and cut in the graduate-school subsidies—also was included in an earlier version of the bill House Speaker John Boehner put forth, angering some House conservatives who wondered why they were increasing spending for something when the bill was supposed to be about cutting.

"Some of the conservatives were thinking, 'Man does this do what we think it does?' " said Rep. Trent Franks (R., Ariz.). "There was some consternation there."

The topic was raised at a meeting of Republican House members during discussion of the bill. Mr. Franks said he opposes expansion of Pell grants because, in his view, they encourage colleges to raise their prices.

A Boehner spokesman said the provision was included because the bill was written to be a compromise. Still, the legislation won no Democratic votes when it passed the House, and it immediately died in the Senate.

But why Pell grants and not some other Democratic priority? Mr. Obama rarely, if ever, made a public pitch for this funding during the recent debt negotiations, whereas he talked about other spending programs and tax cuts repeatedly.

Officials in both parties explained that Pell grants fall under discretionary spending—the type that Congress must approve each year and that was facing a hard cap as part of the final measure. So unlike other administration proposals in other areas of the budget, any changes in Pell funding would have to be done here.

In addition, officials had to act by October to lock the Pell funding in place for next school year. Other issues on the White House priority list are expected to be debated again by the new congressional committee.

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GET SMART ABOUT COLLEGE

Parents and students like to think they're rational when it comes to picking a college and paying for it. They aren't.

BY SANDY BAUM
AND MICHAEL MCPHERSON

It's the time of year when families start to think about colleges. But very few take a crucial first step: thinking about how they think.

Parents and students like to believe they're purely rational when they make big decisions about what school to attend and how to pay the bills. But even when people are sure they're looking at all the available evidence with a clear eye, their minds can frame decisions in ways they don't realize—potentially sending them down the wrong path.

The way people think about debt, for instance, may leave them borrowing *too little*, rather than the right amount. Or it could lead them to pick colleges where they have a worse chance of graduating.

It doesn't help, of course, that decisions about college are mind-numbingly complex to begin with. For starters, a college education is really a joint production between both the college and the student, so "fit" matters greatly. The best college for one student might be a nonstarter for another. Second, both the benefits and the costs, at least for the two-thirds of students who borrow, are extended over a long period of time, requiring a kind of investment perspective.

Moreover, investing in college is not something families deal with frequently, so learning from experience is hard. Reliable information is hard to come by, and decisions aren't reversed easily or without cost; transfer is possible, but it's often expensive and risky.

Even a rational planner armed with all available information would have a tough time making smart choices. Add in the foibles and frailties of real human beings, and it's easy to see why the college search process results in so many bad decisions by so many families.

Being aware of cognitive biases—and taking steps to combat them—can help families make smarter choices. We can't make the process simple or foolproof. But we can offer some observations and techniques to guard against the

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cognitive traps too many families fall into.

Here's a look at some of the most common traps, and how to overcome them.

IT'S ALL IN THE PRESENTATION

Studies show that people feel better about a bet when they're told they have a 90% chance of winning, rather than a 10% risk of losing. In just the same way, how schools frame a deal can make a big difference. Families may be drawn to a school that charges \$40,000 tuition and offers a \$10,000 "merit" scholarship instead of one that simply charges \$30,000.

Likewise, one school may say that, after allowing for all aid, the student need pay only \$5,000. That may seem a lot more attractive than another school that makes the same \$5,000 offer but spells out what the family needs to do to get there: \$10,000 in grant aid, \$12,500 in loans that need to be repaid with interest and \$2,500 in on-campus work, leaving \$5,000 to be paid now. Same apparent bottom line, quite different stories.

There's a simple way for families to defend themselves against being swayed by more and less appealing descriptions of basically the same offer. They should make a spreadsheet and record all the offers they receive in a common format: how big is tuition, how much aid is in loans and so on. Then they can compare the schools' offers head to head, free of the framing that is imposed by the colleges' descriptions.

A side note: Families should be sure to include good estimates of the non-tuition costs, too, including housing, food, books, transportation and more. And they shouldn't rely too much on the budgets the schools provide, because the assumptions can differ greatly from college to college. One may allow for only one trip home a year and expect students to rely on campus computers, while another may figure on three trips and a personal laptop.

FOCUSING ON THE SHORT TERM

Decisions about how much to spend on college—and how to finance it—require weighing benefits and costs that extend further than the eye can see. And that leads many families into another cognitive trap: short-term thinking.

Simply put, people tend to overvalue current consumption relative to future opportunities. Small wonder: It's always difficult to pay now or soon for benefits we won't enjoy until years in the future. What's more, monthly pay-

Please turn to page 88.



BACK TO SCHOOL | A look at college costs, financial aid and other key data

■ Increase in tuition and fees from 2005-6 to 2010-11

24%
Public four-year

17%
Private nonprofit four-year

11%
Public two-year

■ Percentage paying less than \$12,000 in tuition and fees at four-year schools

81% **8.9%**
Public Private

■ Percentage of bachelor's degrees awarded to females

43.1% **57%**
1969-70 2008-09

■ Percentage paying more than \$33,000 in tuition and fees at four-year schools

0.4% **31%**
Public Private

■ Top 3 fields for bachelor's degrees in 2008-9

21.7%
Business

10.6%
Social sciences and history

7.5%
Health professions and related clinical sciences

■ Percentage of adults 25 or older with at least a bachelor's degree (2010)

30%

■ Percentage of 16- to 24-year-olds enrolled in college or graduate school (2009)

37.5% **46.3%**
Men Women

■ Average value of grant aid from all sources and federal tax benefits for full-time students

\$3,400

\$6,100
Public two-year Public four-year

\$16,000
Private nonprofit

■ Percentage of associate-degree recipients graduating from community colleges within 150 days (2007-8)

62%

Sources: U.S. Department of Education; U.S. Census Bureau; College Board

Get Smart About College

Continued from page R1
ments are precise, while the numbers attached to a better career in the future are vague and uncertain. Psychologically, it's hard to give them proper weight in the decision.

The result is that even people who think they're looking long-term often focus on what a student will earn at that first job out of college, and use the neighbor who just graduated into a tough economy as a benchmark. This myopic approach can lead people to opt for schools that offer better credits, regardless of whether the schools are the best fit—and that can be a huge mistake.

Don't misunderstand: People are right to be concerned about borrowing too much for college. They probably don't have to look every hard to find people who have done just that. But it's just as important not to take on too little debt.

Consider this: Opting for the lowest price or working excessive hours to avoid debt, increases the odds that a student will drop out. Students who go to a lesser college when they've qualified for a highly selective

one are 20% less likely to graduate, our research shows. Is it really worth the risk?

When weighing present obligations against future potential, it can help to take a step back. College is an investment but it's a peculiarly intimate one; students are investing in themselves, parents in people they love. To get some perspective on the matter, families should look at choosing and paying for a college like starting a small business (Yes, Inc.) Would someone launch an enterprise without a line of credit? Or skimp on equipment and human capital to avoid cutting into short-term consumption?

Families should also think carefully about context when they're making estimates of future earnings. Someone who graduates in four years is likely to have a shot at a much better first job than someone who graduates right now; many expect to look quite different by the time today's high school seniors finish college.

Likewise, a graduate will not be earning a first-job salary for her friend whose dream is to be

a preschool teacher. Another important point: students should bear in mind, federal student loans—but not private loans—include an option that limits payments to a manageable percentage of income.

If all of that still seems too abstract, families should ask themselves what they would have to give up to make the monthly payments. If a new car is on the horizon, would parents need to opt for a Toyota instead of a Lexus? Would students need to go for a used car instead of something more up to date? Or would the required sacrifices be much more severe?

Finally, families should look at potential obligations and other considerations. For instance, if parents have other children who will be entering college soon, they may not be able to shoulder a big loan for all of them. On the other hand, if the parents' savings have been depleted by stock-market fluctuations, a bigger loan may be a sensible course, since they are likely to recoup some of their losses over time.

Likewise, people put lots of weight on the recurring (and misheard, in my mind) federal student-loan bubble or that it isn't worth the money in the long run.

These stories make for captivating headlines, but all the evidence is that college pays off better than ever. And, of course, the warnings have sent their own children to college.

Likewise, many an inspiring story has been written about a first-generation college student who began her studies at a community college and went on to earn a bachelor's degree with honors from the flagship university. True, students who successfully transfer from a community college have a very good chance of earning their degrees. Unfortunately, the odds of successfully getting through a community college are surprisingly low. On balance, the chances of getting a bachelor's degree within six years are nearly twice as good if a student starts out at a four-year college.

There's no magic cure for the tendency to believe things one hears over and over again, but awareness of that bias should help people stop and think. People should also ask if their ideas about what it takes for success are based on a few anecdotes that are prominent in their minds or on more reliable data.

When people question whether it's worth paying for college at all, are they focused on the extraordinary success of Bill Gates, who famously dropped out of school? When they think about the worth of an elite private college, do they find themselves

thinking about the Ivy League pedigrees of recent presidents of the U.S.? Did they recently read an article by someone who thinks college is college, and it doesn't matter where you go?

There is actually good evidence available on all of these points. To think more clearly, it helps to read a variety of articles by knowledgeable people with different perspectives.

If parents understand more about the decision biases they share with the rest of the human race, they may be able to plan and save more effectively and to help their children make more constructive choices. They should actively question all of their assumptions and be open to planning, choosing and supporting their children even in ways that don't immediately feel "right"—like taking on more debt for a higher-tier school.

Finally, there are two basic truths people should keep in mind. The college market is highly competitive. If families have a favored school, and a worthy rival offers a better deal, they shouldn't hesitate to show the top-choice college their cost spreadsheet. The student-aid office may improve its offer.

And remember that for the great majority of students, the time spent in college, foregoing full-time work, has a bigger monetary value than the tuition they pay. To make the most of college, students have to choose the right place, find a course of study that motivates them, and put considerable time and energy into the learning process. Nothing matters more than using this valuable time well.

The last major bias is putting too much weight on examples one has heard about recently or seen close at hand. When people read news articles about students who borrowed \$100,000 for undergraduate education and have been unemployed since graduating, they tend to believe that this will happen to them (and that it will last forever).

When they're in the right frame of mind, families can ask more realistically how expensive a college, or how big a loan, they can afford.

A good first step for families is to leave aside the total cost of the loan and instead focus on something that's much easier to grasp in everyday terms: the anticipated monthly payments. These, of course, will depend on the interest rate and the number of years over which repayment is stretched. Families who are going with nonfederal loans should remember that variable interest rates are quite likely to go up.

Again, families should think long term about earnings. Parents should estimate the income they expect over the next 10 years or so—and not just use today's earnings as a standard. Students should think about their anticipated career path, and what salary it's likely to bring. A student studying engineering is likely to be able to manage higher payments than her friend whose dream is to be

LISTENING TO THE LOUDEST VOICES

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Reconstructing Higher

Operating a public system of colleges and universities with less money may require a fundamental redesign.

BY RICHARD LEE COLVIN AND FORREST HINTON

We have long been proud of our colleges and universities, and rightly so. During the 20th century, the United States created the model of the modern research university that became the envy of the world. We invented the community college and built systems of high quality, low-cost public institutions that made higher education accessible to soldiers returning from the war, baby boomers, low-income students, immigrants and racial minorities.

Twenty years ago, the nation topped the world in the percentage of adults age 25 to 34 with college degrees. Our elementary and secondary schools might have been cause for concern but, with students from around the world wanting to enroll, our colleges and universities were above reproach.

No longer. Today, the United States ranks 10th among developed nations in the percentage of young workers holding a postsecondary credential or degree. It's not that today's young people are less educated than their elders. Rather, it's that other nations are doing all they can to boost college participation and attainment and have surpassed the United States.

President Obama—backed by leading foundations, many economists, other politicians and education experts—argues the nation's long-term economic competitiveness depends in large measure on increasing the percentage of the American workforce holding postsecondary credentials or degrees.

But the recession battered the public purse as well as private pocketbooks. Public colleges and

Richard Lee Colvin is executive director of Education Sector, an independent nonprofit think tank that challenges conventional thinking in education policy. Forrest Hinton is a research associate with the Education Sector. The Lumina Foundation, cited in this article, is a supporter of the Education Sector.

“What this environment ought to do is make it really clear that every dollar has to be looked at to see if it is being spent to promote access, completion and quality. And that’s something we’ve been the least good at.”

**Patrick M. Gallan, president
National Center for Public Policy and
Higher Education**

universities, which educate the vast majority of Americans, will have to take on the president's historic challenge with no near-term prospects of large revenue increases.

State appropriations per student fell in 30 states between 2005 and 2010, according to a report by the State Higher Education Executive Officers. Tuition increases covered the loss of state funds in only 12 of those states, leaving the higher education systems in 18 states with less revenue overall. Higher education was spared from much deeper cuts in 2010 thanks to extra funds provided through the federal American Recovery and Reinvestment Act. ARRA funds, however, are running out and fiscal year 2012 is expected to be much worse.

Pennsylvania Governor Tom Corbett, for example, wants to slash support for his state's higher education system by \$271 million or 54 percent even though a consulting company hired last year to find efficiencies identified only \$1.5 million in potential cost savings.

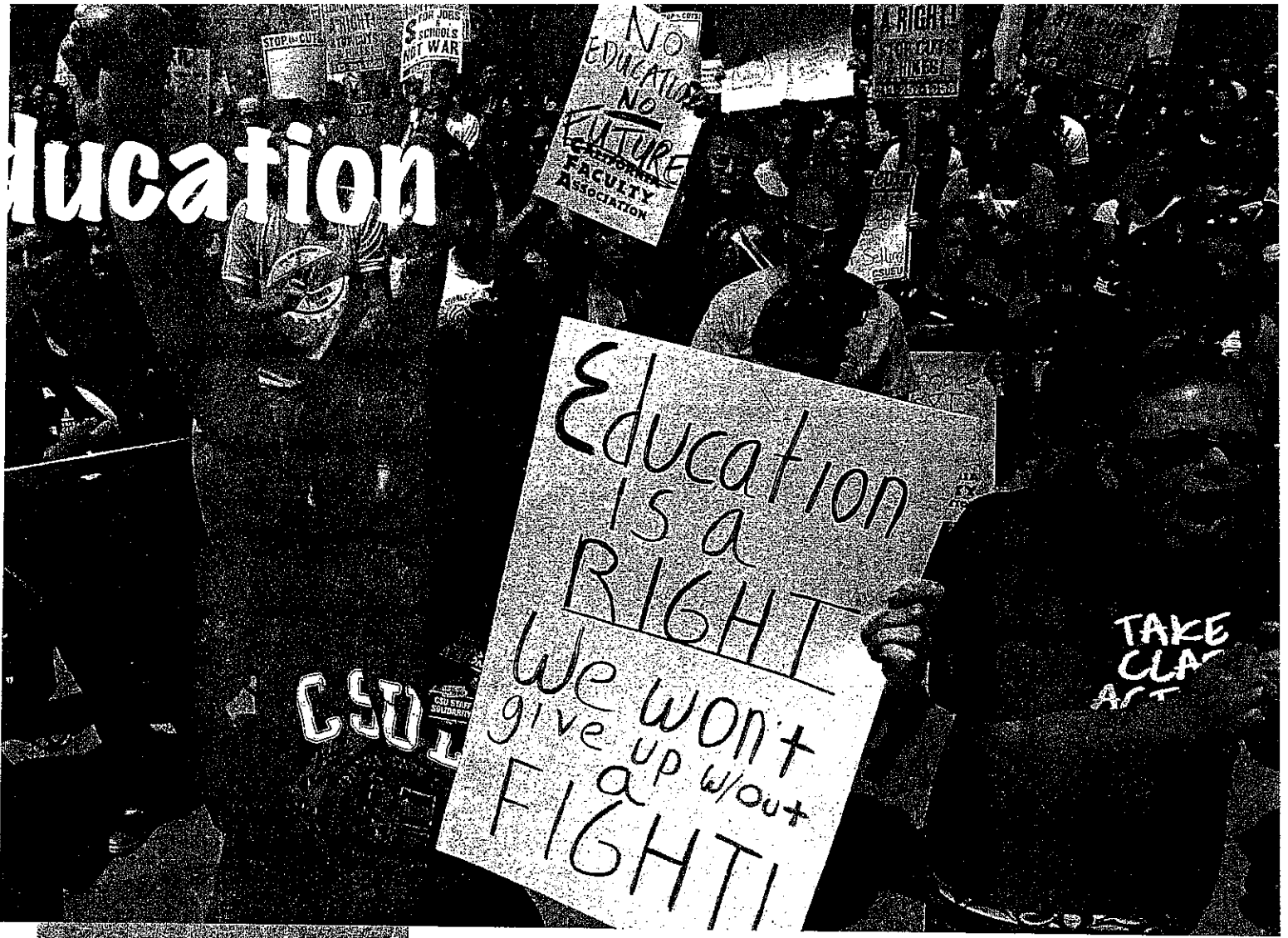
“Without sitting down—almost with a blank piece of paper—and saying we start over again,

there's not much left on the efficiency side,” says John Cavanaugh, the system's chancellor.

Other hard-hit states include Oregon, Washington and Georgia, which raised tuition for University of Georgia students by 46 percent over the past two years. Georgia also is restricting its popular Hope Scholarship program, which covers tuition and fees, to only the most highly accomplished high school graduates. The Center on Budget Priorities, a liberal Washington, D.C., policy research organization, projects that at least 17 states are considering “large, identifiable cuts in support for state colleges and universities with direct impacts on students” in 2012.

Neither the demand for increased post-secondary credentials and degrees nor the budget pressures are going to abate soon. But policy analysts and others who have long called on higher education to make fundamental reforms to reduce costs while maintaining high quality programs and boosting graduation rates see the situation as an opportunity, rather than a tragedy. They say now is the time for legislatures to push colleges to make wider use of online instruction,

AP PHOTO/REID SAXON



“Without sitting down—almost with a blank piece of paper—and saying we start over again, there’s not much left on the efficiency side.”

John Cavanaugh, chancellor of the Pennsylvania higher education system

cal downturn as they have in the past: lobbying states for more money, raising tuition and shrinking their offerings, even as more students than ever want to enroll.

CALIFORNIA’S EXPERIENCE

Since the 1960s, California has been a pioneer in providing high-quality, low-cost education to all comers. The experience there provides a good example of the formidable challenges facing higher education.

Confronted with a \$25.4 billion budget deficit, Governor Jerry Brown earlier this year pushed through nearly \$11 billion in spending cuts, affecting services to children, the poor, the sick, the elderly, the mentally ill—and college students. Support for the state’s three systems of higher education was cut by \$1.4 billion, a number that could double for fiscal year 2012 unless voters agree to extend \$12 billion in temporary tax hikes. But Republicans in the Legislature so far haven’t agreed to put that question on a ballot.

In response to across-the-board cuts, campuses are considering reducing library hours,

Several hundred college students, faculty and staff of the California State University system protested state budget cuts to higher education in April on the campus at California State University Long Beach. The cuts may result in higher tuition and larger class sizes.

imposing fees and charging students to use a campus computer. Adjunct teachers have lost their jobs. The number of required courses in some majors may be reduced. Faculty have been furloughed. The percentage of out-of-state students, each of whom pays an extra \$23,000 in tuition, will be allowed to grow.

Mostly, though, the systems will offset the cuts by turning away students and raising tuition. The community college system expects to turn away 400,000 students next fall because of fewer classes. CSU and UC plan to reduce their total enrollments by at least 18,000 students. There are more than 400,000 students on the 23 campuses of the CSU system. The UC system has nearly 200,000 students on 10 campuses.

University of California boosted tuition and

re-examine degree requirements and give incentives to students to finish more quickly and to colleges to help them. They also need to ease the transition from community colleges to universities, re-examine spending on athletics, and even consider reducing health benefits and salaries.

Rather than undertake such efficiency and cost-saving measures, however, most colleges and universities are responding to this fis-

"You need to have enough at stake so that the universities have enough incentive to pay attention."

Senator Luke Kenley, Indiana

fees by 32 percent in 2009, sparking protests, and an additional 8 percent in 2010. The California State University system's fall tuition will be 15 percent higher than a year ago.

Despite the likelihood of even deeper cuts in state funding and additional tuition increases, UC Chancellor Mark G. Yudof in March said no tenured professors would lose their jobs, even though personnel costs, including those of compensating tenured professors, make up nearly three-quarters of the system's core budget.

"Almost everything else would be up for grabs," he said.

WORKFORCE SHORTFALL

The Western Interstate Commission for Higher Education, a Colorado-based education policy organization, estimates that by 2025, 55 percent of the nation's jobs will require at least an associate degree; currently, less than 40 percent of American workers between 25 and 34 years old would qualify. President Obama wants to boost that percentage to at least 60 percent.

An analysis by the National Center for Higher Education Management Systems estimates increasing college completion to that level would cost an additional \$33 billion a year, and twice that if the cost of health benefits continues to rise at the current rate.

It's highly unlikely states will be willing, or able, to foot that bill. The alternative, the fiscal experts argue, is for lawmakers and governors to work with college administrators and others to redesign public higher education systems around the needs of their states and then give colleges incentives for meeting them. If, for example, as in many states, the proportion of Latino students completing postsecondary programs is low, colleges should be given financial incentives for increasing it.

But higher education funding decisions in most states are not made strategically. Colleges and universities and their governing boards are left to deal with the budget cut compromises and their implications, usually with little guidance.

Patrick M. Callan, president of the National Center for Public Policy and Higher Education, says state colleges and universities are reactive. They "pretty much spend more when they have more, cut when they have to and replace the revenues with tuition."

"What this environment ought to do is make it really clear that every dollar has to be looked at to see if it is being spent to promote access, completion and quality," he says. "And that's something we've been the least good at."

But the state of Tennessee is going to try. It took the first step by crafting the Complete College Tennessee Act of 2010. The legislation sets specific targets for increasing student retention and graduation rates and then ties higher education institutions' funding to whether they meet those targets.

"They're thinking of money less as an institutional support and more as an investment," Callan says.

In addition to Tennessee, Indiana, Ohio and Pennsylvania are using funding incentives to increase higher education productivity, or, in other words, reduce the cost per degree given. Indiana, for example, will distribute \$123 million based on the colleges' results this year.

"You need to have enough at stake so that the universities have enough incentive to pay attention," says Indiana Senator Luke Kenley. "This might be the best time to implement this since we have fewer dollars, and universities are searching for new efficiencies."

THE ONLINE ALTERNATIVE

Indiana also is getting national attention in education and policy circles for its push on online learning. Through an executive order last year, Governor Mitch Daniels created what he calls the state's "eighth public university," the Western Governors University Indiana, at no cost to the state.

The Indiana virtual campus is an outpost of the successful all-online college established in 1997 by the governors of 19 Western states.



SENATOR
LUKE KENLEY
INDIANA

WGU awards 50 accredited degrees in teaching, health care, business and information technology. It is able to do so inexpensively because the university has no tenured faculty members and no physical campus.

WGU Indiana is a key element of the state's strategy for increasing the number of

"The current funding and operating models of public higher education are not sustainable."

Charles Reed, chancellor, California State University system

bachelor's degrees awarded by 10,000 annually, keeping college affordable and serving a portion of the 750,000 adults in the state who have taken some college courses but not earned a degree.

"We're serving students who aren't served well by the [current] state systems," says Robert Mendenhall, the president of WGU. "These are working adults, mostly low-income, many who are minority. A lot of them are rural students."

In Washington, a bipartisan bill to bring WGU to that state is meeting resistance, especially from some college professors, who oppose expanding online courses that could diminish the need for tenured faculty.

"As the bill started moving and picking up, there's now a clear force of faculty from the universities who have come out against the legislation," says Senator Jim Kastama, who supports WGU.

BACK TO BASICS

The growing emphasis of online education is pushing colleges in 21 states to join with The National Center for Academic Transformation to fundamentally redesign their introductory and remedial courses. Participating academic departments will be able to teach more students at lower costs by using computer-based instruction and online forums to supplement or replace classroom lectures. This spring, 38 redesigned basic-level math classes will be part of a pilot project at community colleges across the nation as part of the center's Changing the Equation program.



SENATOR
JIM KASTAMA
WASHINGTON

In California, the UC system is just beginning to experiment with large-scale online learning, announcing in April that it would take out a \$2 million loan to pilot several online undergraduate courses by the start of 2012.

Yet, even for states that have made major changes to higher education in recent

years, more transformative innovations may be on the horizon. An analysis by the National Center for Higher Education Management Systems conducted for the Lumina Foundation on Education found that increasing the student-faculty ratio by 10 percent would save \$10 billion annually over the next 15 years. Reconfiguring faculties and responsibilities could reduce the cost of instructional salaries by another \$3.6 billion a year. Slimming down benefits packages, eliminating some extracurricular activities, creating institutional collaborations and offering incentives for students to take fewer courses not needed for graduation also would significantly cut costs.

CONFRONTING CHANGE

But other changes would be easier. Community college students in California, for example, can take as many class credits as they want and some take advantage of that to keep going to school for years without ever planning to finish a credential program or transfer. Such students take up seats that first-time students who want to finish and join the workforce could be occupying. The nonpartisan Legislative Analyst's Office found that simply capping the number of credits at 100—far more than the 60 required for transfer to a four-year college—would save \$250 million, more than half the amount the governor proposed cutting and would lead to more students receiving degrees.

Charles Reed, chancellor of the California State University system, understands that more must be done. He has long argued that colleges should operate year-round instead of shutting down for the summer, faculty should teach more classes and take fewer sabbaticals, and students should be required to take fewer classes so they can complete a degree in three years.

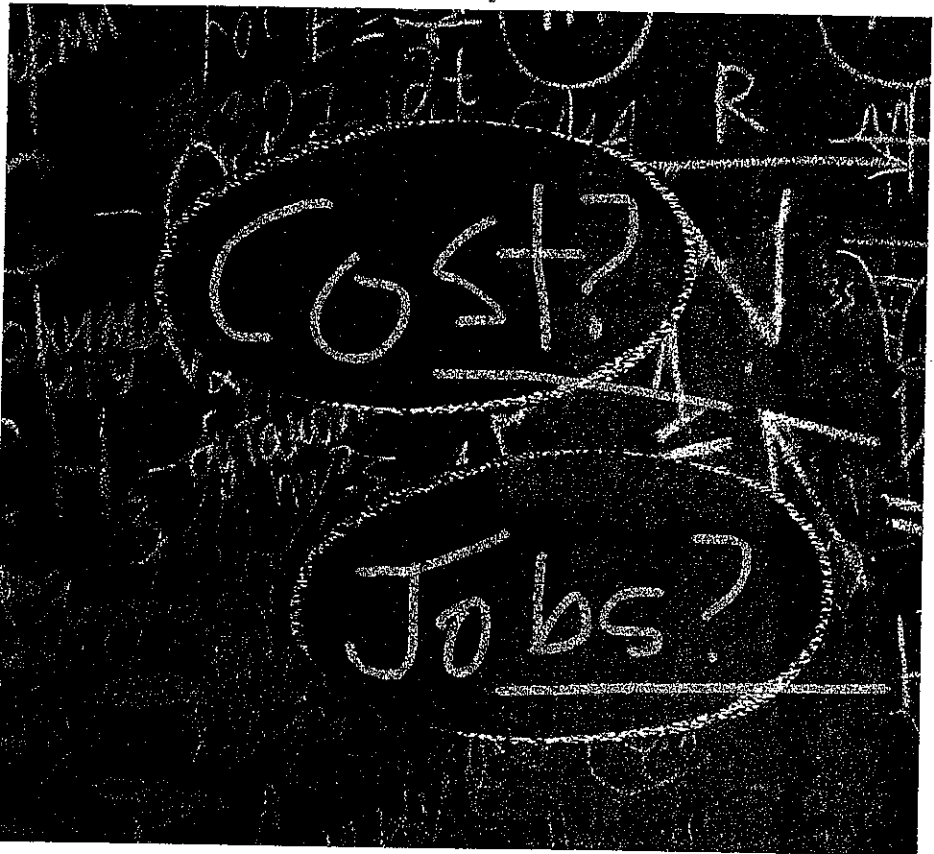
"The current funding and operating models of public higher education are not sustainable," Reed says. Legislators should push for innovation, but, he adds, "do it in a careful way so they don't throw the baby out with the bath water because the economy and jobs and competitiveness are really based on the higher education the workforce gets."

Steve Boilard, director of higher education for California's Legislative Analyst's Office, agreed. "We've been trying to say, 'Don't allow the disruption created by this crisis to be temporary and then go back to business as usual when the money comes back.'"

But, he says, "that seems to be the game plan: Brace ourselves for this and then get back to the old days."

Do For-Profit Schools Pass the Test?

The growing popularity and criticism of these universities have caught lawmakers' attention.



BY MICHELLE CAMACHO LIU

Undercover investigations, congressional hearings, advertising campaigns, lawsuits, blocked funding, new federal regulations, public service announcements, and too many newspaper opinion pieces to count. For-profit colleges and universities are clearly in the spotlight.

Today these institutions enroll some 3.2 million people in everything from small vocational programs to traditional degree programs, with flexible schedules and online options.

Budget cuts to state and community colleges

Michelle Camacho Liu tracks postsecondary issues for NCSL.

that have triggered higher tuition, larger classes and limited class selection in states across the country make for-profit colleges increasingly attractive to nontraditional students looking for programs that better meet their needs.

The popularity of these proprietary schools grew from a mere 2 percent of students in 1986 to more than 10 percent in the 2008-2009 school year. But this growth has raised concerns—at both the state and federal levels—about the quality of education these institutions offer, the amount of money in scholarships and loans they receive, the tactics they use to attract students and the success of their graduates in finding jobs.

Lawmakers in 18 states have considered at least 30 bills this year, many of which would

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Academia's Crisis of Irrelevance

As more students question rising college costs, professors defend useless research and their lack of teaching.

By NAOMI SCHAEFER RILEY

'Crisis of Confidence Threatens College.' So went a headline in the Chronicle of Higher Education this spring, describing a recent survey of the American public. "Public anxiety over college costs is at an all-time high," the report concluded. "And low-income college graduates or those burdened by student-loan debt are questioning the value of their degrees."

In the face of such anxiety, one might expect college faculty to re-examine the financial priorities of universities, or at least put up a reasonable front of listening and responding to their critics. Instead, academics have circled the wagons, viciously attacking any outsider who dares to disagree with them, and insisting that reformers are not sophisticated enough to understand the system.

In a book published last month, "The Faculty Lounges . . . And Other Reasons Why You Won't Get the College Education You Paid For," I argue that our system of higher education is focused too much on research and not enough on teaching. In fact, one 2005 study in the Journal of Higher Education suggests an inverse relationship between the amount of time spent in the classroom and a professor's salary. It would seem that professors who spend their time writing are the ones most valued by our universities.

College teachers have responded as one might expect to a publishing-pays, teaching-does-not incentive. As a 2009 report from the American Enterprise Institute pointed out, over the past five decades the number of language and literature academic monographs has risen to 72,000 from 13,000 while the audience for such scholarship "has diminished, with unit sales for books now hovering around 300."

In 2008, according to the bibliography review "Year's Work in English Literature," more than 100 new scholarly books on Shakespeare were published in English world-wide. Those books, whatever brilliant new insights they provided, represent thousands of hours lost to undergraduates who really could use a good classroom course on Hamlet.

It doesn't take a lot of digging to see that much academic research is trivial. But academics will defend it to the hilt. When I wondered, in a blog post on the Chronicle of Higher Education website, why J. Michael Bailey of Northwestern was hosting demonstrations of sex toys in his class, and questioned the value of his subject generally, I was told by a commenter on the website that, "psychiatrists, police officers, and others who deal with rapists and other sex offenders probably could use a course on human sexuality."



Getty Images/Glowimages

When I wrote about a University of Texas professor's book, "Indian-Made: Navajo Culture in the Marketplace," an academic emailed to say that "[the project on] the commercialization of Indian crafts, actually has some profound things to say about the role of indigenous peoples in modern capitalism."

After I suggested in a number of pieces that tenure is the reason that academics—even the most radical, incompetent or lazy—cannot lose their jobs, a professor wrote to tell me that I should "pick up an employment law textbook" because I didn't understand that tenured professors can, under exigent circumstances, be fired. Thanks for the tip. And how often does that happen?

A senior professor of psychology recently asked me how, if he didn't have tenure, he would be able to write op-eds criticizing his department chair and his college administration while keeping his job. I asked him how the rest of the world gets by without regularly denouncing their bosses in a newspaper.

At a recent conference where I spoke on collective bargaining in higher education, one professor questioned (and others in the room also fussed about) my right to speak on the subject without—she was incredulous—a Ph.D.! I might ask why a degree in medieval literature or molecular biology would qualify one to discuss the growing unionization movement on college campuses.

When a recent report by the Center for College Affordability and Productivity suggested that many professors in the University of Texas system were not being very productive as teachers or researchers, three of them offered the Chronicle of Higher Education diaries purporting to document their labors. One professor wrote of spending hours looking into summer camp for her daughter so the professor could have time to work. Now there's a problem other working parents don't have.

Another said he was going to read six (!) new books about Shakespeare this summer to prepare for his classes in the fall because "in order to be current there's a tremendous amount more research that you need to be familiar with." And these are the people who wanted to defend their salaries.

There is nothing new in the observation that academics are removed from the real world. But professors should understand that their attitude won't offer much protection as budgets get tighter and students get madder.

Ms. Riley, a former Journal editor, writes frequently about post-secondary education.

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