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Perry, regents discuss higher education reforms

by William Lutz

Gov. **Rick Perry** sent a clear message to the members of university boards of regents May 21 – he expects them to implement higher education reforms on their campuses.

Perry invited the regents to a higher education reform summit facilitated by the Texas Public Policy Foundation. The key idea of the conference: that currently higher education is governed for the comfort of tenured faculty, and administration should take action to change that so that the needs of students, taxpayers, and employers take center stage.

Main ideas included expanding use of pay for performance, both for teaching and research, measuring and publishing better information about teaching quality, and funding based on students rather than on institutions.

In the past, a seat on the university board of regents was a largely honorary political plum given to major party figures or large campaign donors. On major issues, boards of regents

generally rubber-stamped the ideas coming from university administrators.

But a lot of that may change in the coming years. It's not every day that even two university boards of regents have a joint meeting. "There is not a more important set of reforms; there is not a more influential amount of public policy that can change the world, as what you're talking about right here," Perry said to the attendees.

The Texas Public Policy Foundation helped to facilitate the conference, most of which was conducted in discussion format. The Foundation helped line up and bring in experts on higher education policy.

Also present at the conference was former U.S. House Majority Leader **Dick Arme**y, who blasted the academy in his speech. Arme

y said that academia and Washington, DC are the two places bad ideas can thrive. "There is no institution more destructive to academic freedom than tenure," said Arme

y, noting that tenured professors often use their authority to curtail the freedom of students and non-tenured staff.

The meat of the conference, however, occurred in the morning, when Austin businessman **Jeff Sandefer** led a discussion on higher education reform. Sandefer taught entrepreneurship at the University of Texas business school.

More recently, Sandefer helped found the Acton MBA program currently housed at Hardin-Simmons University, where many of these proposed reforms have already been implemented.

Sandefer led a discussion of seven "break-through solutions" for higher education reform, endorsed by TPPF with input from higher education experts nationwide. Most of the ideas can be implemented administratively (i.e., no legislation required) and many have been tried in other states.

The ideas are as follows:

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Insurance industry scores wins in court, sunset

by William Lutz

All told it was a good week for the insurance industry.

First, an appeals court issued a decision favorable to the state's largest homeowners' insurance carrier. Second, the staff of the Sunset Advisory Commission issued its recommendations, many of them favorable to the industry. We take each development in turn.

Court throws out State Farm rate reduction mandate

After stalling the case for more than three years, the Third Court of Appeals has finally gotten around to ruling in the State Farm insurance rate case. The court held that the State of Texas violated the rights of State Farm and that a portion of the state statute regulating insurance is unconstitutional. The case is now remanded to the Commissioner of Insurance to redo the rate case. The ruling was released May 22. (The case was appealed in February, 2005.)

The issue of controlling high homeowners'

insurance rates has become a major political football. In 2003, the Legislature wanted homeowners insurance rates lowered because the mold crisis had caused rates to skyrocket two years earlier.

In addition, lawmakers were considering tort reform legislation, a gambit often characterized in the press as backed by the insurance industry. Many lawmakers wanted to pass a tough rate regulation bill to show they were not industry lackeys.

The Legislature passed SB 14 in 2003, which rewrote homeowners' insurance regulation. The bill set up a two-stage process for setting rates. Until December 2004, insurers had to gain state approval prior to setting a rate. After that, under the bill, a file-and-use system went into effect, under which insurance carriers can file a rate and use it unless the Commissioner of Insurance objects.

Once the bill became law, all insurers submitted their rates to the Texas Department

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1. *Measure teaching efficiency and effectiveness and publicly recognize extraordinary teachers.* Improving data collection about teaching load and quality was a key theme of the conference. One piece of data Sandefer suggested was the total compensation of a faculty member divided by the total number of students taught. Regents also discussed ways to do a better job publicizing student satisfaction ratings of teachers, including the possibility of putting posters around campus recognizing the best teachers.

2. *Recognize and reward extraordinary teachers.* Regents spent a lot of time discussing an Oklahoma University pilot program to reward teaching excellence. Faculty opt-in to a program where the teachers agree to give students a specific learning contract with goals and objectives and promises for the course. Teachers also agree to limit the number of As and Bs in the class. Faculty members who opt-in to the program and receive student evaluation ratings in the top 10 percent of the university receive bonuses. For the top 3 percent of evaluations, the bonuses can be as high as \$10,000 annually.

3. *Split research and teaching budgets to encourage excellence in each.* The idea is to evaluate teaching and research separately and pay for performance in each. Existing tenure arrangements would be honored. But faculty could choose a merit-based compensation system, with more lucrative rewards based on performance. Research performance could be evaluated based on dollars brought into a university from any source – governmental, non-profit, or private.

4. *Require evidence of teaching skill for tenure.* Higher education administrators often claim that teaching, research, and service all play a role in who gets tenure. In reality, the main factors in university tenure decisions are research – as measured by academic journals, seldom read or used outside the Ivory Tower – and departmental politics.

Regents discussed at length how to make teaching a meaningful part of the tenure process. One proposed idea would be to require a minimum score on student evaluations or a minimum teaching load to achieve tenure.

5. *Use learning contracts with students to measure quality.* Students, upon entering a university, would sign contracts that include several statistics about the university's education and learning environment. Each teacher would enter into a contract with the students, specifying what is expected of each and how both the teacher and the student will be evaluated.

6. *Put state funding directly in the hands of students.* Colorado is currently using such an approach. Instead of direct appropriations, every Texas high school graduate would get a set amount of state funds usable at any state university. (The program could also be expanded to participating private universities, a la the Tuition Equalization Grants.)

During discussion on this proposal, one university chancellor noted that the current state funding formulas are based on the number of students.

There's a catch that wasn't mentioned but is significant. The funding formulas include weighting factors, most of which benefit "flagship" institutions that offer technical and upper-division courses. Politics plays a role in the formulas. The state has "special items" (roughly akin to congressional earmarks) for specific universities.

If the state implemented a student-centered funding mechanism, the community colleges would likely do quite well, and the flagships might get less from the state. Additionally, if the program were expanded to private universities, several Texas private universities would probably benefit greatly.

Ohio University Economics Professor **Richard Vedder** – a nationally-published author on higher education issues – said universities should not fear student-based funding initiatives. He argued the amount of the scholarships would become akin to Social Security benefits. Raising them would pay a political dividend; cutting them, even in bad times, would be political suicide.

7. *Create results-based accrediting alternatives.* One topic of intense discussion among regents is the role of the regional accrediting agencies – which are controlled by university administrators – in thwarting any meaningful reform of higher education. Vedder called them a "cartel."

Accreditation is required to receive federal funding or loans. But the U.S. Department of Education is allowed to accept accreditations from agencies other than the regional accrediting bodies.

Tenure – for example – is usually a requirement of the accreditation process, as is faculty governance – the idea that faculty members, not taxpayers, should run higher education institutions.

Throughout the summit, Sandefer and the regents discussed alternatives to the regional accrediting agencies that would focus on results rather than inputs (the size of the library, square foot per student, etc.)

The Higher Education Coordinating Board recently amended its rules to allow private universities to operate in the state if accredited by an alternative accrediting body. It has also created an alternative path to state certification.

The regional accrediting bodies, including the Southern Association of Colleges and Schools (SACS) – which covers Texas – were portrayed as an obstacle to reform.

Obviously, any such changes to the status quo in higher education would encounter substantial push-back from faculty who benefit from the existing system. Texas A&M University Regents Chairman **Bill Jones** described how he was attacked by faculty members and in the press for encouraging consideration of the commercialization of research in the tenure process and for suggesting that the Board of Regents – not the Faculty Senate – select the president of Texas A&M University.

Even so, the regents seemed quite engaged and interested in the ideas presented, many of which could get implemented at state universities in the coming years.

The one university system that could be the most resistant to reform could be the University of Texas System. Several UT regents attended but made few comments during the presentation.

"I think that it's very important that these issues be put on the table and discussed," said **H. Scott Caven, Jr.**, chairman of the University of Texas System Board of Regents. "I may not agree with all of the recommendations, but any institutions that does not embrace change is doomed for distinction ... I am a particularly strong believer in incentive compensation."

Much of the press discussion in higher education in Texas has focused the way tuition deregulation has caused the cost of higher education to skyrocket in Texas. Higher education administrators went on a spending spree, and middle class families had little to show for it. To put it another way, the fiscal reins were loosened without reforms to ensure students would benefit from the increased spending.

While cost was discussed, the focus of the summit was on reform. To put it another way, if universities restructure so that they do a better job of delivering value for money, either the costs will come into line or students, parents, and taxpayers will have a better understanding of exactly what they are getting for those increased dollars.

That, in turn, would be a dramatic shift from the higher education policies of the last five years. 

