



Higher Education Productivity

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THE ISSUE

State appropriations per student for all institutions of higher education have gradually increased since 1970, whereas operating costs per student have soared during the same period. In 1991, the statewide average operating cost per student was \$10,665. By 2008, this number had increased to \$18,571—a 74.1 percent increase.

At the root of universities' financial problems is not lack of funding; rather, the problem is operational costs that have increased dramatically. As shown below, the difference between real appropriations and real operating costs more than doubled from about \$5,400 in 1970 to nearly \$11,700 in 2008. Not surprisingly, higher tuition has filled this bulging gap. Tuition rates at Texas public universities have increased an average of 9.8 percent annually since 1994.

Why are operating costs in higher education skyrocketing? First, administrative costs have exploded. UT-Austin expenditures on administration increased 52

percent in real dollars from 1999 to 2008, more than five times the rate of increase on instructional expenditures. Second, faculty productivity is declining as research and governance activities displace teaching. A Texas Performance Review found faculties at research universities teach only 1.9 courses per semester; nationally, 21.7 percent of faculties do not teach a single course.

Together, sharply increased salaries for faculty and administrators, new emphasis on research over teaching, and exceedingly high operational costs have caused Texas higher education spending to soar. These rising costs, and the resulting tuition increases, reduce affordability and access. Continuing to provide additional funding will not address spending or keep tuition affordable.

Further state funding increases without accompanying improvements in university spending accountability would do fiscal disservice to students, parents, and taxpayers.

Years	Appropriations per FTSE (2008 dollars)	Operating Expenses per FTSE (2008 dollars)
1970	\$5,640	\$10,997
1980	\$6,430	\$11,843
1991	\$5,552	\$10,665
2003	\$7,117	\$16,869
2004	\$6,579	\$16,102
2008	\$6,926	\$18,571

THE FACTS

- ★ The total cost per FTE student at UT-Austin in 2008 dollars increased from \$21,251 in 1980 to \$36,769 in 2008.
- ★ Non-teaching staff at universities nationwide as a percentage of total employees increased from 44 percent in 1976 to 79 percent in 2005.
- ★ Tenure-track professors account for 64.9 percent of positions at Texas universities, but teach only 39.3 percent of courses.

RECOMMENDATIONS

- ★ Change the funding process for public universities by switching from a university-centered approach to student-centered funding.
- ★ Institute more reforms that tie university funding to student success results, such as number of degrees issued, student satisfaction, employment outcomes, and student assessments.
- ★ Encourage universities to separate research and teaching budgets.
- ★ Improve transparency and accountability.
 - Require universities to make easily available budgets, faculty salaries, student evaluations of faculty, and graduation rates.
 - Place detailed check registers online.
 - Study the feasibility, the pros, and the cons of placing universities under sunset review.

RESOURCES

Tuition Deregulation & Higher Education Spending by Liz Young, Texas Public Policy Foundation (Mar. 2010) <http://www.texaspolicy.com/pdf/2010-03-PP09-TuitionDereg-ey.pdf>.

Texas' Higher Education System: Success or Failure? by Dr. Richard Vedder, Texas Public Policy Foundation (May 2008) <http://www.texaspolicy.com/pdf/2008-05-RR05-highered-vedder-final.pdf>.

Materials from Texas Public Policy Foundation Higher Education Summit (June 2008) <http://www.texaspolicy.com/pdf/2008-05-21-HigherEdSummit2.pdf>.

The High Cost of Higher Education by Kalese Hammonds, Texas Public Policy Foundation (Dec. 2008) <http://www.texaspolicy.com/pdf/2008-12-PP20-costofcollege-kh.pdf>.

Texas Higher Education Coordinating Board Accountability System, <http://www.txhighereddata.org/Interactive/Accountability/>. ★

