

Reforming Higher Education

Fundamental Principles for Improving University Responsiveness to their Customers

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Introduction

Sometimes it seems as if universities forget that their customers are students, not faculty, and that they should aim to make sure students receive the quality education in which they are investing, not to please tenured professors. If lawmakers implemented policies that made the higher education market more competitive, then universities would be more responsive to their students because they would be forced to compete with other institutions for customers. Ultimately this competition would result in lowered costs and improved quality.

To encourage competition among universities in Texas, several fundamental reform measures could be put in place that would provide incentives for universities to keep costs low. The only way to achieve this is to infuse free-market principles into a higher education system that currently lacks fiscal discipline. Doing so would help drive costs down and allow Texans to have access to a more affordable and valuable higher education.

There are several institutional adjustments that can be made at universities to accomplish this goal. University regents, administrators, and lawmakers can choose to increase the significance of student evaluations, separate research and teaching budgets, improve transparency, and transition to student-centered rather than university-centered funding.

Simple Changes Universities Can Make

The recommendations in this section are actions university regents could make today, or changes policymakers could urge regents to

make, that would create incentives inside their institutions to hold down costs and improve quality.

Use Student Evaluations of Faculty Results to Determine Merit-Based Bonuses

One simple change that could increase higher education competition would be to enhance the role of student evaluations of faculty (SEFs). Universities in Texas could create a system of rewards and penalties to encourage professors to improve their product—education. Tying SEFs to performance bonuses would encourage good teachers to teach more which would not only enhance quality but could help address the productivity issues that result from many tenured professors spending more time researching than teaching.

Implementing a merit-pay system separate from any peer review process or research considerations would shift the emphasis back to educating students. When professors are given the opportunity to receive bonuses based solely on student evaluations, professors will most certainly make the necessary adjustments in order to compete with colleagues. Increasing the importance of SEFs is just one way Texas universities can infuse competition back into higher education, ensuring that the quality of education is worth the cost borne by those paying for it—students, parents and Texas taxpayers.

How SEFs are Used in Texas

According to the University of Texas at Austin's Division of Instructional Innovation and Assessment, all professors must have their students fill out Course Instructor Surveys (CIS) at the end of every course. The CIS measure

both professor and teaching assistant performance in specific areas on a scale and provide room for students to make any additional comments.

However, not enough is done with these evaluations. UT-Austin uses a mixture of research accomplishments, peer reviews and student evaluations to determine tenure, promotions and occasional bonuses.¹ Thus, professors are unlikely to feel true motivation to change teaching style and approach as student evaluations are only a small factor in the promotion process. At most, professors who are poorly rated by students are encouraged to make changes by their superiors.

The approach used by UT-Austin described above is a common practice among most major Texas universities. Even though all universities in theory place value on SEFs, in practice they only play a small role in university merit-pay and promotion processes.

A Critical Review of SEFs

Those who oppose using SEFs for merit-based pay argue that the system is too unreliable, pointing to supposed inconsistencies between students' opinions based on their likely grades at the end of the course. Opponents also believe that increasing the importance of SEFs may encourage professors to pad student grades in an effort to boost their student evaluation results. However, various studies have shown SEFs are reliable in that students typically rate professors in a similar way despite their likely grade. One specific report concluded that "Whereas a grading-leniency effect may produce some bias in SEFs, the support for this suggestion is weak, and the size of such an effect is likely to be unsubstantial."²

Another argument against increasing the importance of student evaluations is that students rate professors based only on entertainment value. Various experiments have been performed to prove this hypothesis, and generally speaking, the results of these studies support this claim. However, many researchers fail to consider that it is possible these results are mistakenly interpreted as "entertainment bias" when in reality the high student ratings could be correlated with effective teaching and student learning.

In a well designed course, with clear promises made as to what the course will deliver, it is easy for students to judge whether or not the promises have been met. Students are smart enough to distinguish pure entertainment from valu-

able teaching and that will be reflected on any SEF. There is a preponderance of evidence that suggests SEFs are useful. Increasing their significance is one way universities could improve the quality of teaching and student learning, effectively encouraging competition between universities.

Separate Research and Teaching Budgets

Rather than emphasizing teaching, universities generally focus on research. The effect of this reality is that taxpayer dollars intended to pay for teaching are instead being used to fund research that adds little value to the classroom. To prevent this cross-subsidization, universities should separate research and teaching budgets. In addition to improving higher education transparency, this separation will also inhibit tax dollars from being used on research projects that do not benefit the classroom or society in any meaningful way and could improve professor productivity.

Separating and publicizing these budgets would provide proof to students, parents, and taxpayers that all research that takes faculty time away from classroom instructional activities is in fact valuable to the educational process and society in general. Additionally, research that does not pay for itself with private funds would be exposed and pressure could be placed on faculty members who conduct this research to do so on their own time. Universities could also distribute bonuses to reward faculty who are the most productive and successful teachers and researchers to drive productivity.

There must be increased oversight of teaching faculty who spend any amount of their time focusing on research rather than satisfying their consumers—students—and improving their product—education.

Common-Sense Changes Lawmakers Could Make

The following recommendations are suggestions lawmakers should keep in mind when seeking to reform Texas' higher education institutions. Each of these ideas would create a more competitive marketplace for higher education, where students would be treated like a customer and universities would respond to their needs.

Improve Transparency

Sufficient competition in markets depends on adequate transparency, or easy access to information about the specifics and quality of the product being sold compared to alternative options. This information ensures that consumers

have the ability to make informed decisions as to how and where they spend their money while at the same time forcing producers to improve their product so they can remain competitive within their particular market.

Sunshine Week, a national initiative seeking to open dialogue about the importance of government transparency, recently named Texas as the national leader in open government. Their survey indicated that Texas was the only state ranked in all 20 transparency categories measured.³

Yet in spite of Texas' notable transparency achievements, there are still areas the state can improve. One such area severely lacking in transparency is higher education. Its consumers have few ways of learning about the specifics of the education they will be receiving upon their admittance to a university. Currently, applicants make decisions about their higher education investment based almost solely on cost considerations with additional information gathered only by word of mouth or third-party rankings.

According to a report commissioned by former United States Secretary of Education Margaret Spellings, there is ample room for transparency improvement at our nation's institutions of higher education.⁴ "Believe it or not, we can't answer the most critical and basic questions about student performance and learning at colleges... Information will not only help decision-making—it will also hold schools accountable for quality," said Spellings regarding her call for more transparency.⁵

Texans would be well-served if universities implemented Secretary Spellings' suggestion and improved higher education transparency. Check registers, curriculum vitae,* syllabi, course budgets, and student evaluations of faculty all contain valuable information that the public should be able to review. Publicly posting this information in an easily accessible and understandable format would promote competition and empower students by providing them with the ability to choose which university could provide them with the best quality education for the lowest price.

Conduct Alumni Surveys and Publicize the Results

Eastern Illinois University (EIU) has sent alumni surveys

out since 2002, reaching out to students who graduated as far back as 1994.⁶ The university sent a five-year out survey in 2005 to its 2000 graduates and reported a healthy 39% return rate from reachable graduates, meaning 765 alumni participated in the project.⁷ However, EIU alumni surveys only measure quality of professors, social life, courses, community, and personal growth.⁸ While information from all of these areas is valuable knowledge, college applicants could benefit from access to additional statistics such as employment and salary data.

Five-year out alumni surveys would benefit all Texans by providing transparency as it relates to the quality of education being given to consumers and promoting competition in the higher education market. These surveys should inquire into graduates' current job, salary, and overall satisfaction with their university experience and should be sent to every graduate five years after they have finished their higher education. The survey should distinguish between those seeking work and those choosing to remain unemployed. Despite any possible margins of error, the knowledge that would be gained is certainly better than no information at all.

Results of these surveys should be posted publicly on university websites. This would give potential students the ability to perform cost-benefit analyses to determine which university best fits their individual educational needs and which institutional degree would be most valuable for the money, effectively introducing competition into the higher education market.

Shift to Student-Centered Funding

Texas dedicated 14.22 percent, approximately \$4 billion, of its General Revenue appropriations to higher education during the 2008-09 biennium.⁹ Almost all of these dollars were filtered to universities through formula funding.¹⁰

An alternative to formula funding is student-centered funding. By placing state appropriations in the hands of students rather than universities, a more competitive higher education market will be created. Student-centered funding guarantees that universities will have incentive to improve the quality of education in an effort to attract the most students possible.

*Resumes tailored toward academic professions with extra emphasis on educational background. Far more extensive than ordinary resumes, curriculum vitae include a comprehensive list of all professional experience, any academic credentials, all published research, and any other important academic achievements.

Though this approach may seem radical to some, it is not new to higher education. A similar strategy was enacted by Colorado in 2004 called the College Opportunity Fund. Colorado lawmakers decided that rather than directly funding their universities, they would instead provide undergraduate students attending approved and participating universities with “stipends” for up to 145 credit hours.¹¹ Colorado lawmakers set the stipend amount each legislative session. The most recent stipend amounts were set at \$92 a credit hour at public universities and \$46 at private universities.¹² This means that a full-time student taking 15 hours a semester at a public institution would receive \$2,760 a year and \$1,380 a semester.¹³ These dollars are then given directly to universities and deducted from the students’ tuition bill.

Since 2004, tuition has still increased in Colorado, but the rate of increase has been less than both national and Texas tuition increases.¹⁴ The reason behind these increases in Colorado is not due to a failure of the initiative, it’s because policymakers in Colorado have not resisted the temptation to increase student stipends significantly. By increasing these stipends beyond inflation, lawmakers are not allowing competition to drive costs down because universities have no incentive to control their spending. Texas should implement a similar plan, but lawmakers should consider including a provision that limits student stipend expansions to ensure the program accomplishes its overall goal of incentivizing competition among universities.

If some policymakers are hesitant to emulate Colorado’s College Opportunity Fund, there is an alternative option for

Texas legislators that would accomplish most of the same goals. Policymakers could re-direct some or all of their higher education appropriations to scholarship funds. The change could take place within the context of scholarship programs that already exist in Texas, making this approach easier to accomplish.

Funding universities through general appropriations provides no incentive for them to keep costs under control. Shifting to student-centered rather than university-centered funding will force universities to compete for students so they would have money for their operations. Ultimately, this would lead to policies and practices that would improve competition by driving down costs and enhancing educational quality.

Conclusion

Tuition at Texas universities has been increasing dramatically for years, outpacing both inflation and enrollment growth. This trend impedes student access to higher education, but the good news is that university regents and lawmakers have the ability to implement policies that will help keep these tuition increases under control.

The various reforms laid out in this paper would improve educational access and quality for Texas residents while ensuring taxpayer dollars are spent in the most efficient way possible. Consumer-oriented, competitive principles have improved efficiency and quality in many sectors of our nation’s economy, and these principles can do the same for the higher education market. ★

¹ The University of Texas at Austin Division of Instructional Innovation and Assessment Frequently Asked Questions, The University of Texas, 2009 (23 Mar. 2009) http://www.utexas.edu/academic/diia/assessment/course_instructor/faqs.php.

² Herbert W. Marsh and Lawrence A. Roche, *Making Students’ Evaluations of Teaching Effectiveness Effective: The Critical Issues of Validity, Bias, and Utility*, University of Western Sydney, Macarthur, 6.

³ Sunshine Week, *Sunshine Week 2009 State Survey of Government Information Online* (2009) <http://www.sunshineweek.org/index.cfm?id=7284>.

⁴ U.S. Department of Education, *A Test of Leadership: Charting the Future of U.S. Higher Education* (2006) <http://www.ed.gov/about/bdscomm/list/hiedfuture/reports/final-report.pdf>.

⁵ U.S. Department of Education Press Release, “Secretary Spellings Announces Plans for More Affordable, Accessible, Accountable and Consumer-Friendly U.S. Higher Education System” (26 Sept. 2006) <http://www.ed.gov/news/pressreleases/2006/09/09262006.html>.

⁶ Assessment at Eastern Illinois University, Eastern Illinois University (13 Apr. 2009) http://www.eiu.edu/~assess/alumni_survey.php.

⁷ Center for Academic Support and Achievement, *Alumni Survey 2005: Five Years Out (2000 graduates) Summary of Qualitative Data*, Eastern Illinois University (Mar. 2006) <http://www.eiu.edu/~assess/alumni/2005%20survey%20summary.pdf>.

⁸ Center for Academic Support and Achievement, *Comparison of Qualitative Data from 2004-07 Alumni Surveys*, Eastern Illinois University (Dec. 2007) <http://www.eiu.edu/~assess/alumni/yr%20to%20yr%20comp.pdf>.

⁹ Texas Higher Education Coordinating Board, *Texas Higher Education Quick Facts, 2008*.

¹⁰ Legislative Budget Board, *Fiscal Size Up 2006-07, 206*, http://www.lbb.state.tx.us/Fiscal_Size-up_Archive/Fiscal_Size-up_2006-2007_0106.pdf.

¹¹ College Opportunity Fund: Answers to Questions from Students, <http://cof.college-assist.org/cofapp/cofapp/Default.aspx?pageID=7#qs08>.

¹² Kalesse Hammonds, *Higher Education: Fund Learning, Not Buildings*, Texas Public Policy Foundation (Dec. 2008) 2.

¹³ *Ibid.*

¹⁴ *Ibid.*, 3.

