

## Higher Education

### Agenda:

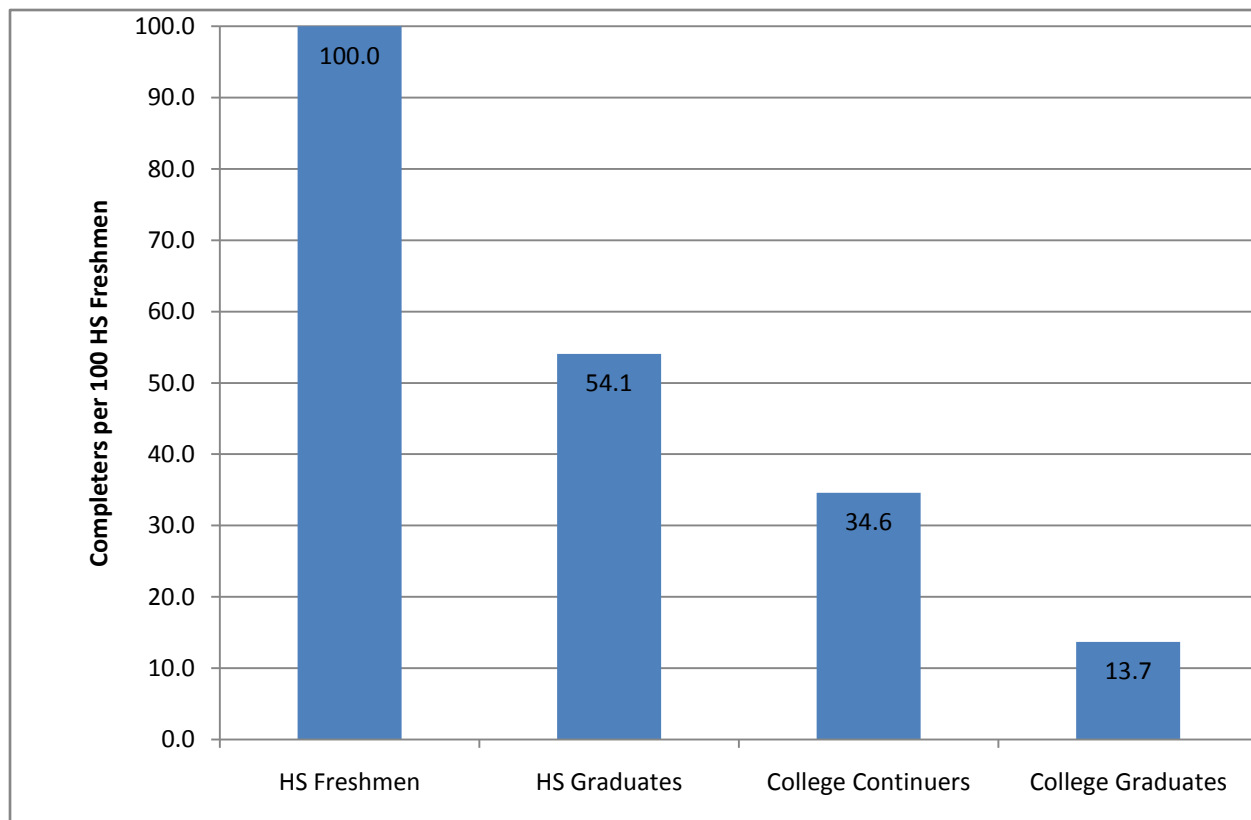
- Move to funding students rather than institutions.
- Provide market incentives to increase utilization of facilities and equipment.
- Align tuition charges more closely with demand and supply conditions.
- Increase the proportion of students attending technical and community colleges.
- Make it easy and less costly to transfer between Georgia public institutions.
- Provide incentives to both students and institutions for timely degree completion.
- Promote good high school students taking college courses for concurrent credit.
- Encourage schools to get out of non-academic activities.
- Restore higher teaching loads.
- Reduce administrative staff.
- Reevaluate use of very long-term employment contracts.
- Use technology to lower, not raise, costs.
- Refocus the HOPE Scholarship.

### Overview:

#### *Graduation Rates*

Georgia has a relatively high cost system of higher education, heavily financed by taxpayers. Georgia spends more per student on colleges than the national average, but gets a smaller proportion of its students to enter college. While this could theoretically be an indication of targeting money at students likely to succeed, this is not the case in Georgia, as evidenced by low graduation rates. Costs of higher

### College Graduates within 10 Years of Beginning High School



education are rising over time to students and taxpayers alike. A large portion of resources is used for non-instructional and even non-research purposes.

Georgia suffers from an enormous attrition rate between the time students enter high school and, a decade later, the proportion of those who have college degrees. As Figure 3 illustrates, out of every 100 beginning high school freshmen, only 13.7 will graduate from college within 10 years. This number is abysmally low, lower even than the national average of 18, suggesting that are problems with the education system in Georgia. After all, the data indicate that only just over a half of high school students graduate from high school in Georgia and, of the 64 percent of high school graduates who enroll in college, only about 40 percent will graduate from college.

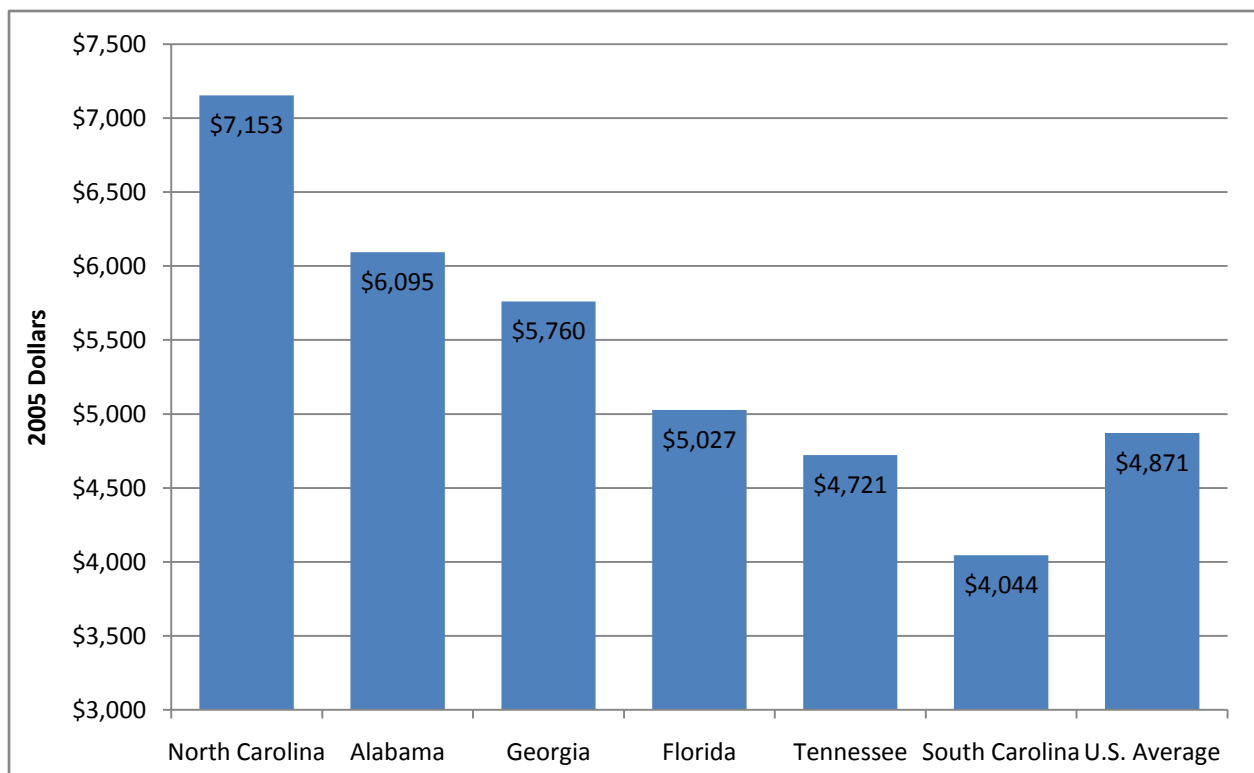
The state's low graduation rates are a persistent, long-term problem that is very costly to the higher education system and taxpayers. For instance, it is estimated that 43.8 percent (roughly 61,000) of the undergraduate students in public four-year schools in 2006 would never graduate, incurring a total cost of \$368 million annually on taxpayers. Given that many of these students apparently are not prepared for the rigor of study at a four-year institution, resources would be better allocated if they attended two-year schools and the total cost would be only \$226 million, a significant savings to the state's taxpayers just in terms of public funding, let alone noting that many who won't graduate from a four-year school could graduate from a two-year school.

In Georgia, only 45.2 percent of college students actually graduate. Given that the state of Georgia spent over \$5,700 per student in 2005, and had an overall graduation rate well below 50 percent at that time, the state is inefficient in its use of higher education appropriations and a huge amount of resources is being wasted.

#### *State Appropriations for Higher Education*

In 2005 Georgia spent \$5,760 per full time equivalent (FTE) student, noticeably above the national

#### **State Appropriations per FTE Student at All Institutions, 2005**



average of \$4,871. Although Georgia is significantly outspent by North Carolina (which spends \$1,393 more per student than does Georgia), Florida, Tennessee and South Carolina all spend less per student than Georgia does. Georgia spends \$1,039 more than Florida and \$1,716 more than South Carolina. It is likely that one of the main reasons for higher spending per student in Georgia is the relatively low percentage of the 18-24 population enrolled in college.

*Enrollment Trends (1980 - 2005)*

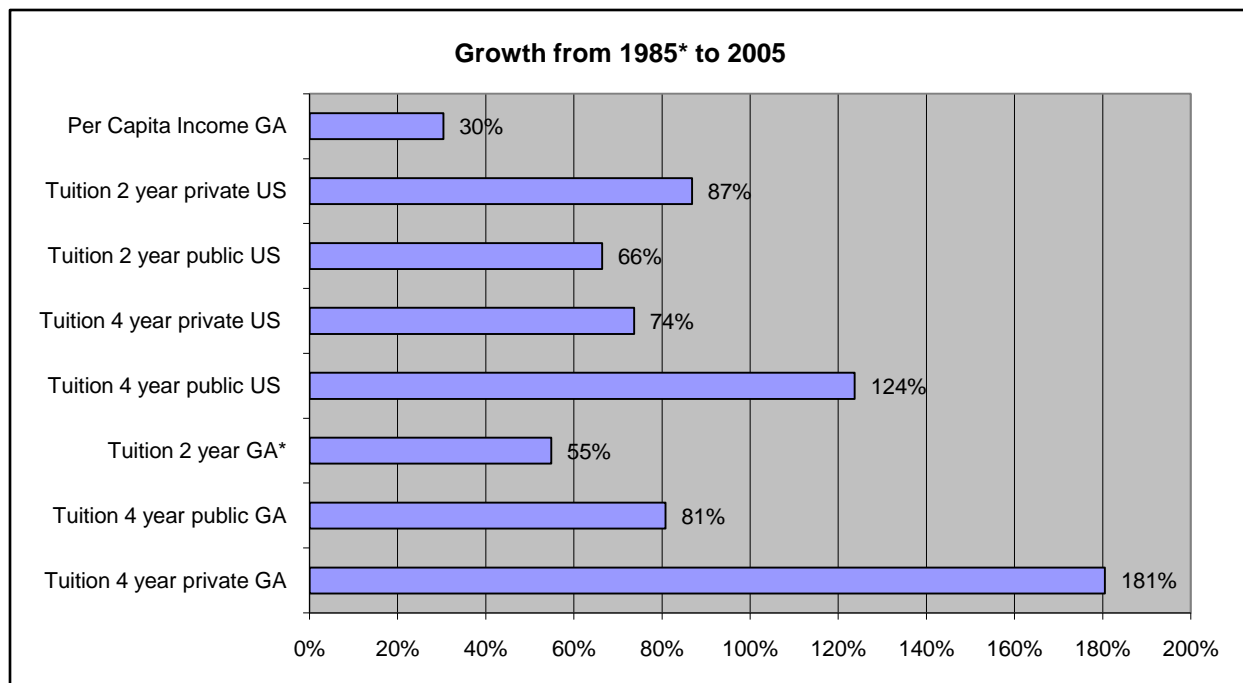
In 2005, as a percentage of the state’s population ages 18-24, the undergraduate enrollment in Georgia lagged the national average by 7.9 percentage points. Historically, Georgia trails not only the national average but also all of its neighbors in terms of enrollment per population. However, *despite the relatively low enrollment, Georgia still spends more money on higher education per personal income and per student than several of its neighbors and the national average.* But if we consider the growth of enrollment per person from 1980 to 2005, Georgia’s growth (which was greater than 100 percent) exceeds growth in both the national average (less than 70 percent) and all of the neighboring states, in large part due to the fact that the level of enrollment in 1980 was so low. In other words, in 1980, Georgia lagged its neighbors in enrolling students in college, but by 2005, the state had largely closed the gap. The State Higher Education Executive Officers association (SHEEO) reports that enrollment has continued to grow, and is now around 297,000.

Undergraduate enrollment in institutions of higher education in the state of Georgia increased by about 175 percent. The largest increase in enrollment in absolute terms and in percentage growth occurred in public two-year institutions, where the FTE undergraduate enrollment increased by over 81,000 from 1980-2005, a growth of almost 700 percent during this period. While enrollment at public two-year institutions was barely over 10 percent of the total enrollment in 1980, by 2005, over 33 percent of all students enrolled attended two-year schools.

*Tuition Trends*

Public concern over rapidly rising tuition costs has grown during recent years, although Georgia has not seen as large an increase in tuition costs as has occurred elsewhere in the United States. Nonetheless,

**Real Tuition and Personal Income Growth, 1985-2005**



tuition growth at Georgia institutions still outpaces growth in per capita income. Specifically, tuition at four-year public schools in Georgia increased by 81 percent in real terms from 1985-2005, significantly lower than the 124 percent increase for the national average for four-year public institutions. However, tuition growth at four-year private schools in Georgia exceeded 180 percent in real terms, far outpacing the 74 percent increase in the four-year private school national average. The smallest percentage increase in tuition in the state of Georgia occurred at two-year schools, where tuition has grown 55 percent since 1989. In all cases, tuition growth in Georgia far exceeds the growth of per capita personal income, which grew by only 30 percent during this 20-year period.

Tuition at four-year schools has nearly doubled as a percent of per capita income, meaning that the typical Georgia resident would need to pay over one quarter of his or her income per year to cover tuition costs. While tuition has increased at two-year schools as well, the cost is still just above 5 percent of the state's per capita income. Despite the growth of tuition as a percentage of per capita income in Georgia, however, the state still remains behind the national average, where in 2005, tuition at four-year schools was more than 30 percent of per capita income.

### *Sources of Funding*

Although the dramatic tuition increases across the nation over the past several decades have garnered much attention, tuition is not generally the most important source of revenue for public institutions. Nationally, only 15.8 percent of all revenue for public schools comes from tuition and Georgia is very close to this national average, with 15.6 percent of total revenue coming from tuition.

With the exception of South Carolina, all of the states rely more heavily on state appropriations to support their public higher education institutions than on any other source of revenue. Over 38 percent of the revenue for public schools in Georgia comes from state appropriations, meaning that Georgia relies on state appropriations more than all of its neighbors except Florida. Whereas nationally, 24.3 percent of revenue comes from state appropriations, the figure in Georgia is a much larger 38.4 percent.

One way to measure how much a school spends on instruction relative to its other expenses is to calculate what percentage of tuition revenue goes to faculty salaries. Tuition is traditionally defined as the fee for instruction, so we would expect a large portion of schools' tuition revenue to go to paying faculty salaries. However, that is not always the case. Nationally, during the 2004-05 school year only 52 cents of every dollar of tuition revenue actually went to faculty salaries at public four-year schools, as Figure 28 shows below. That means that 48 percent of tuition revenue goes to other expenses despite the fact that public schools have other sources of revenue, including state appropriations that can cover other school expenses. The state of Georgia is much higher than the national average as 77 cents of every tuition dollar at public four-year schools in the state goes to paying faculty salaries. In fact, the ratio for Georgia is higher than any other neighboring state; only the average for North Carolina is higher than 70 cents to the dollar and that for South Carolina is below 45 cents per dollar. In this regard, then, Georgia public schools do one of the best jobs of ensuring that the money students pay to be educated is largely spent for that purpose. However, 23 percent of tuition revenue in Georgia still goes to something other than instruction. The high Georgia ratio is largely a consequence of relatively low tuition rates in the Peach State relative to other states.

### *The Impact of Migration on the Rate of Georgians with College Degrees*

From 1989 to 2001, more than 200,000 college graduates migrated into the state, accounting for over 40 percent of the total number of college graduates added to the state's population during this period. Annually, over 19,000 college graduates migrated into Georgia from other states.<sup>1</sup> Not only did Georgia experience one of the largest in-migration of college graduates in absolute terms, but it also saw one of the largest state increases relative to the total number of college graduates produced within the state.

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<sup>1</sup> Mortenson, Tom. Postsecondary Education Opportunity. "Stock and Flow of Bachelor's Degree Holders by State, 1989 to 2001." Available at: <http://www.postsecondary.org/topicslist.asp?page=1&od=&search=Interstate%20migration>

If migration into Georgia is a more important cause of high state attainment than the state's higher education system, then it appears that the heavy investment the state currently makes in higher education is not the most efficient or productive use of the state's scarce resources. After all, an attainment of only 28 percent is, in reality, an embarrassingly low statistic since Georgia invests so much money per student. If the state were using its resources efficiently when it comes to funding higher education, Georgia's attainment should be much higher than the national average, considering it spends nearly 20 percent more per student than the national average. As of 2006, however, Georgia's attainment was less than 5 percent higher than the national average.

### *The Cost of Attrition*

Research by Dr. Harry Stille has estimated the cost incurred on the higher education system and the state by the students who fail to graduate. For instance, for 2006, Dr. Stille estimated that 43.8 percent (roughly 61,000) of the undergraduate students on public four-year schools would never graduate, incurring a total cost of \$368 million dollars annually on taxpayers.<sup>2</sup> Given that many of these students apparently are not prepared for the rigor of study at a four-year institution, resources would be better allocated if they attended two-year schools and the total cost would be only \$226 million, a significant savings to the state's taxpayers just in terms of public funding, let alone noting that many who won't graduate from a four-year school could graduate from a two-year school. The Stille study also examined the sophomore retention rate for Georgia public four-year schools and found that, with the exception of 2006, fewer than 80 percent of freshmen return for a second year of college. That implies that around 20 percent of entering freshmen likely were not academically qualified or prepared for a college education, implying that the public resources used to fund their first year of college were not wisely spent. With so many students coming to college unprepared, there appears to be a deeper problem with the primary or secondary education system within the state.

### **Agenda**

#### *Move to funding students rather than institutions.*

There is considerable evidence that when states give money to universities, they use a large portion of the funds for purposes other than those that the policy-makers assume the funds will promote. This report has documented this with respect to Georgia. In particular, the leading *raison d'être* of most state universities is providing postsecondary training to young residents of the state. In a model where tuition levels are relatively high, but where the state provides financial assistance in the form of vouchers or scholarships to students, schools are likely to be far more student-oriented. The bias in favor of research and against teaching which prevails in most four-year universities is likely to be modestly reduced. Schools that are tuition-driven will try harder to please their clientele – or lose revenues to competitors.

The HOPE scholarships are a step in the right direction, but the value of the "voucher" shouldn't change based on the school that the student attends. A fixed amount regardless of the school would be preferable.

While the voucher shouldn't change based on the school, it could change based on the student. They can be made progressive, as once proposed by Robert Reich.<sup>3</sup> Students from higher-income families would receive small or even no vouchers, whereas those from low-income families would receive generous scholarships that would lower the cost of college to levels at or lower than under the current system. Done appropriately, the progressive voucher approach can reduce state outlays for higher education while expanding student access.

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<sup>2</sup> Stille, Harry C. "Georgia Public Institutions: Study Phase I Retention and Graduation Rates Cohort Freshman." Higher Education Research/Policy Center, Inc. Fall 2007.

<sup>3</sup> Robert Reich, "The Case for Progressive Vouchers," *Wall Street Journal*, September 6, 2000.

Vouchers can also be made performance-based. They can be cut off after four years of full-time study, providing enormous incentives for students to finish school in a timely fashion. (The Board of Regent's recently announced "Fixed for Four" plan provides a similar incentive.<sup>4</sup>) They can be enhanced for superior academic performance. Student subsidies can be made proportionate to the expected gains the students are receiving from the education.

*Provide market incentives to increase utilization of facilities and equipment.*

University physical facilities are typically far less utilized than similar facilities in the for-profit sector (either education or non-education related). For example, classroom buildings typically seldom operate at more than 25 percent of capacity in the summer months or at other vacation periods (breaks at Christmas or in the spring). At many campuses, the facilities are only modestly used on Fridays, early in the morning or in the evening. As a consequence, the capital costs to universities are higher than they could be with greater facility utilization.

Universities should be encouraged to charge various campus units for use of space. For example, suppose Georgia Tech gives its various units an additional \$10 million a year in budget funds, but makes them pay rent on those facilities – rent that based on previous usage would total \$11 million. Then the central administration would charge high rental charges for use of classrooms from 9 a.m. to 4 p.m. on Mondays through Thursdays, but low rents for use at other times. Large offices with nice views would pay higher rents than small inside offices without windows. Units would have to rent space more in non-prime times to stay within the \$10 million of rental funds. Units insisting on providing prime-time classes exclusively would have to reduce spending on something else. Units willing to teach lots of off-hours and summer classes could actually make money on the deal, paying less out in rent than the rental allocation. Of course, experience over time would force some fine-tuning in rents, but the idea is to provide incentives to use facilities more efficiently. The same could be done with dormitory facilities: Charge lower rents for use in summer months than during the year.

*Align tuition charges more closely with demand and supply conditions.*

There is always an issue whether state university tuition rates should be set centrally or by leaders at each individual institution. In principle, we favor the latter approach, because the demand for, and cost of, education varies significantly from campus to campus. Beyond that, however, the same thing applies *within* campuses. A strong case can be made to set differential tuition charges for each college within universities or, more radically, even for each course selected by students. It would cost less to take large lecture classes taught by assistant professors than small senior or graduate seminars taught by senior (and expensive) faculty.

In a free-market economy, the price of engineering education would almost certainly be higher than that of getting a degree in English. On the supply side, the cost of offering courses in English is relatively low: Professors are relatively cheap and there is virtually no supplemental high-cost equipment needed to carry out instruction. Engineering, by contrast, is more costly. Professors are higher paid. There are substantial equipment requirements. On the demand side, engineers command greater salaries than English majors, so we would expect demand to be more robust for engineers. For engineers, demand is high and supply is low at any given price, factors that lead to high-equilibrium prices (where demand and supply are equal). For English majors, supply is high but demand is somewhat lower, factors leading to relatively low equilibrium prices. To try to get some of the efficiency that market signals send universities might well increase tuition for engineering students, but lower it for English majors.

Of special importance, graduate tuition fees should rise relative to undergraduate ones, since in virtually every discipline the costs of offering graduate instruction is higher – classes are smaller and professors

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<sup>4</sup> <http://www.usg.edu/news/2008/041508.phtml>

tend to be the most highly paid. The heavy subsidization of graduate education that currently occurs would become more transparent in a system of pricing services more in keeping with market forces.

A first step would be to recognize the uniqueness of the state's four research universities – the University of Georgia, Georgia Tech, Georgia State and the Medical College of Georgia – by allowing them to set their tuition levels independently.

*Increase the proportion of students attending technical and community colleges.*

A significant reduction in per student costs in Georgia could be obtained by simply increasing the portion of students attending two-year as opposed to four-year schools. Costs are dramatically lower per student in the two-year institutions, and an increase in the relative importance of two-year schools would dramatically reduce costs.

This can be illustrated by a little hypothetical but realistic example. Suppose it costs \$10,000 per student to educate community college attendees, but \$20,000 to educate students at four-year institutions. Suppose originally one-third of students attended two-year institutions, and two-thirds attended four-year institutions. Suppose over the course of a few years, the ratio became one-half of students attending each type of institution. For every six students, originally it cost \$100,000 to educate them (\$20,000 for the two two-year students, \$80,000 for the four-year students), or an average of \$16,667 per student. After the shift in enrollment, it costs \$90,000 to educate the same students: \$30,000 the three in two-year institutions and \$60,000 the three in four-year schools. Average aggregate per-student costs fall 10 percent, to \$15,000 per student.

To some extent, the shift towards two-year schools is already occurring in Georgia, but it could be expanded dramatically. The case for doing so is enhanced by the high attrition rates among entering students at all types of institutions, as mentioned above. Lots of students go to expensive four-year schools then quit or flunk out. There is abundant evidence that things like high school grades and college examination scores (ACT or SAT) are good predictors of success in college. Why not force students with low predicted success to attend two-year schools – or to pay a higher tuition if they insist on attending four year schools right out of high school – then make it easy for them to transfer to four-year colleges after two years if their academic performance is acceptable? As mentioned in the overview above, this could save Georgia more than \$140 million annually.

*Make it easy and less costly to transfer between Georgia public institutions.*

Following from the previous point, students correctly perceive that it is costly to transfer from college A to college B. Typically, the second institution denies credit for some of the work taken at the first school, prolonging the student's education and increasing the cost of a degree. Often, the reasons for the denial of credit have little true academic rationale. For example, institution A might require students to take a course in American history as part of its general education requirement, while institution B requires a course in Ethics. A student transferring from A to B must now take Ethics, even though she has a superior background in American history. Both subjects are solid, legitimate parts of a general education curriculum, but a student is, in effect, penalized by the non-conformity of the curricula of the two schools. New Jersey recently required state schools to accept all courses with passing grades from other state institutions, period. There are some arguments against this, but on the whole we should be promoting greater mobility of students. Greater mobility, in turn, should lead to higher ultimate graduation rates and greater competition between institutions – all good.

There are various ways other than New Jersey's legislative edict to address this problem. Schools could work together on a common core curriculum, or at least on a list of courses that are acceptable as replacements for required core courses. Schools could move to a common numbering system: Elementary microeconomic theory will be called Economics 101 at all schools, for example.

We are aware that institutions typically resist this recommendation on the ground it infringes on institutional autonomy and leads to over-centralization of curricular decisions. These claims have some

validity. Selective institutions such as the University of Georgia might think it cheapens their degree if they have to accept two years of credit from two-year schools that teach courses that are less rigorous and use less demanding standards to measure performance. And probably some limits need to be placed on transfer of credit to deal with the most egregious possible problems. For example, courses that are remedial in nature and essentially offering material taught in high school should not be subject to transfer of credit (or, we would argue, award of initial credit in the first place). If a student transfers from Education at one school to Engineering at another (which, to be sure, is highly unusual), it is not unreasonable for the second institution to require a bevy of math and science courses traditionally required of all engineering students. Having said all of that, however, there should be a bias in the direction of accepting credit, a policy of liberal transfer, and an acute awareness of the costs that institutional rules have on desirable educational objectives, such as timely finishing of degrees and the promotion of both competition and cooperation between institutions.

*Provide incentives to both students and institutions for timely degree completion.*

Earlier, we suggested that with student vouchers, incentives could be provided for good performance, and vouchers could be withdrawn after, say, four years of full-time attendance. Similarly, institutional subsidies should be cut off for all students with greater than four-year attendance. Both of these would encourage timely degree completion.

The problem also exists at two-year colleges and in graduate schools. The long time to complete a Ph.D. is a national scandal. Part of this is that Ph.D. students are a cheap source of labor for schools. Harvard dramatically reduced the time for humanities students receiving a Ph.D. by simply penalizing departments with large numbers of Ph.D. candidates of eight, nine, 10 or more years standing. At the state level, subsidies should be withdrawn for Ph.D. candidates after no more than four years. Charging higher tuition for fifth- or sixth-year students is another option. These students tend to take large numbers of more costly advanced classes.

*Promote good high school students taking college courses for concurrent credit.*

The Advanced Placement program is an excellent opportunity for Georgians to take high school courses for college credit, and participation in AP courses should, in general, be encouraged for high school students with reasonably high probabilities for success in AP classes. Beyond that, however, an expanded opportunity for good high school students to take actual college courses during their junior and senior years in high school would potentially save dramatically on college costs, not only to the student, but the taxpayer as well. Some states (Ohio is an excellent example) have generally reported above-average college level performance from the thousands of students who annually take college courses while in high school. Incentives need to be provided to colleges to admit such students, and high schools should not be allowed to impede such dual enrollments either directly or through other sanctions.<sup>5</sup>

*Encourage schools to get out of non-academic activities.*

Universities and colleges are created to promote the production and dissemination of knowledge and ideas. Yet many schools devote vast resources and energies to other activities: offering housing services, feeding thousands of students, entertaining the community in various ways, etc. As a rule, most of these activities can and are often provided in highly efficient manners by private providers. It is particularly inappropriate to subsidize these activities from general university funds, or vice versa, to force students to pay high room and board charges and use surpluses to fund academic programs.

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<sup>5</sup> The USG Strategic Plan does address this issue:  
[http://www.usg.edu/strategicplan/four/increase\\_postsecondary.phtml](http://www.usg.edu/strategicplan/four/increase_postsecondary.phtml)

Universities can divest themselves of these programs in a variety of ways. For example, they can sell or engage in long-term lease arrangements with respect to dormitories or contract out food services to private providers. Some activities, of course, have both an entertainment and educational value – music and theater concerts may help students in those areas learn and mature – and be a revenue source. Intercollegiate athletics are the most controversial area. This study is not the venue to evaluate the efficacy of these programs in detail. It is difficult to justify on any externality grounds, however, taking funds provided by tuition or taxpayer support and diverting them into intercollegiate athletic programs, and limits on such subsidization may be justified.

Universities should be encouraged to get out of the services delivery business in a variety of areas not mentioned above. Building maintenance is a good example. And, although it is an academic activity, some schools are achieving savings by contracting out remedial education courses to for-profit providers of educational services that specialize in remedial education and can provide the services more efficiently than the school can.

#### *Restore higher teaching loads.*

Although good statistics do not exist, over time teaching loads have declined in American higher education. The justification for the decline is usually to allow faculty more time to conduct research. There is no doubt that, in principle, conducting research is good. Society advances through new discoveries, new ideas and even new forms of creative endeavor. Yet research has its costs as well as benefits, and a close scrutiny of much institutionally funded research would show that costs often exceed benefits.

For faculty members, they are able to demonstrate to the broader national and international community competence through research – tangible publications that demonstrate a desire and an ability to extend our frontiers of knowledge. By contrast, knowledge about teaching competence is localized – there is not much inter-institutional discussion of teaching effectiveness. Hence careers are advanced, and, above all, tenure is gained, by “doing” research. Institutions have lowered teaching loads at great cost. The social goals of affordable instruction are being thwarted by the personal goals of university staff to promote career advancement via lower teaching loads.

The typical professor in the social sciences, humanities and applied vocational disciplines (education, business, communications, etc.) publishes perhaps one paper a year in a fashion where there are, perhaps, 100 readers. Or she presents a paper in a session of a professional association attended by, perhaps, 15 or 20 people. A large majority of academic papers have a very limited audience, and deal with esoteric intellectual points of little relevance to the real world. This is no doubt less true in the natural and physical sciences and probably engineering, but even here there are diminishing returns to research investments.

On the other hand, we should be wary of legislative mandates of, say, a nine-hour teaching load for all faculty. Nobel Prize-winning researchers should not have to teach a lot and perhaps even nothing at all. Similarly, others have a talent for administration that should lead them to teach relatively little. A one-size-fits-all statutory teaching mandate is not advisable. At the same time, there is nothing inappropriate about providing incentives that encourage schools to teach more. It might even be acceptable to say to the non-research oriented schools, which make up the bulk of the state’s higher education system, that the average teaching load of full-time faculty with tenure shall be eight (or nine or ten) hours a week or more, and that hefty fines (reduced subsidies) will be imposed on those failing to meet the institutional teaching constraint. Institutions, then, can devise their own methods of meeting the mandate.

#### *Reduce administrative staff.*

The evidence is strong that over time there has been a growth in non-instructional professional-type employees in universities, many of whom could be called roughly “administrators.” The number of vice-presidents, vice provosts, diversity coordinators, public relation specialists, etc., has soared, growing far faster than enrollments. These persons often perform useful functions, but they are tangential to the institutional mission of instruction and research. Corporate America in the 1970s and early 1980s fought

growing international competition by downsizing administrative staffs, becoming leaner. Excessive bureaucracies tend to slow decision-making and make the organization less innovative and successful.

Again, a one-size-fits-all state-directive mandate is probably not wise. But perhaps state incentive payments could induce greater effort to pare administrative costs – even including bonuses to top university officials who demonstrate they can cut administrative costs without impairing the effectiveness of operations.

The Technical College System of Georgia took the lead recently by merging 14 technical colleges into 7 colleges. Even more efficiencies could be found by merging some of the eight two-year community colleges into nearby technical colleges.

*Reevaluate use of very long-term employment contracts.*

We often read of long-term contracts of coaches or even university presidents that have to be abrogated because of personnel changes. The same thing occurs at a vastly larger level with tenured professors. The issuance of lifetime employment contracts is costly financially. The present value of a lifetime of salary payments and benefits to a newly tenured professor often is in the millions of dollars. Beyond that, tenured faculty members often successfully resist needed changes. Often, changing enrollment needs mean a school has too many professors of classics or European intellectual history, but not enough professors with an interest in nanotechnology.

Schools are already hiring a larger proportion of non-tenured faculty, using adjunct instructors and graduate students as well. Whether that is a healthy trend is debatable, but it is propelled by the relatively high cost of tenure track faculty. Tenure does serve an important function – protecting faculty from facing retribution for their beliefs or their writings. But there are alternative means of offering that protection. Since tenure imposes costs, perhaps faculty demanding tenure should have to pay for it out of a fringe benefit budget of fixed size provided to each teaching employee. Persons wanting the lifetime employment guarantee associated with tenure cannot realistically expect to also receive a Rolls Royce health insurance plan. Let them choose a limited number of expensive fringes (one of which is tenure) from a menu provided them.

Again, a law abolishing tenure statewide would be highly ill-advised. Some faculty members probably already sacrifice some income for the job security that tenure provides, and that is fine. Other faculty members are able to provide a diversity of viewpoints about the human condition because of the protection that tenure affords. Nonetheless, perhaps institutions should be incentivized to reduce the proportion of instructional resources going to tenure track faculty.

*Use technology to lower, not raise, costs.*

In American business, technology is viewed as a way of reducing costs. In American higher education, it is commonplace for schools to tack on “technology fees,” arguing technology raises costs. That is usually because new technology (e.g., distance learning, computerized instruction) is superimposed on approaches to teaching similar to those used by Socrates 2,400 years ago.

For all their emphasis on research, schools do very little research into which teaching methods are most effective; for example, can hybrid lecture-discussion electronic technology teaching approaches in some cases lead to both higher levels of learning and lower costs? The substitution of capital (e.g., computers) for labor (e.g., faculty) has its limitations, and some human interaction between students and faculty is typically necessary and desirable. Nonetheless, colleges should be nudged into developing more cost-effective technologies. Incentives may be needed to prod reluctant faculty and administrators to act. Noteworthy, for-profit schools operate at a far lower cost per student, typically, than do not-for-profit four-year schools.

*Provide more consumer information on college costs and performance.*

In order to make good college choices, consumers need full information. To allocate public funds appropriately, lawmakers need it also. Yet the public is in the dark about lots of things going on in Georgia universities. Detailed financial information should be provided for all. Oregon State puts all check payments online (except for salary checks), a good step in the direction of transparency. Detailed information on what students learn is needed. Schools should be able to show in understandable fashion that allows comparison to peer institutions what students learn while at college; what is the “value added” to the college experience. This should be readily available on college Web sites, but also on a centrally maintained Web site for all Georgia public institutions.

Colleges should be required to report information on the vocational success of graduates, on the allocation of resources between alternative uses (e.g., undergraduate instruction, research, graduate instruction, student services, administration, physical plant maintenance, etc.) How much are intercollegiate athletics subsidized by university funds? How much was spent on out-of-country travel last year? There are a variety of questions that the broader public has the right to have answered, and transparency in university affairs should be enhanced.

It has been extremely difficult to assess the performance of Georgia higher education for a simple reason: There is little information on student outcomes. Do students graduating from Georgia universities know materially more than when they entered as freshmen? Are they better critical thinkers? Have their values improved – a greater sensitivity to the differences between right and wrong, just and unjust? Are they more engaged with society or even their family and friends than before? How are graduates of, say, the University of Georgia, doing five or 10 years after graduation? What, in short, is the “value added” by the college experience? By and large, we do not know the answer to that question.

It would seem highly desirable for higher education institutions in Georgia (and the nation) to examine students in a fashion that provides some answers to these questions. There are standardized tests of generalized knowledge and/or critical thinking that can be administered: the Collegiate Learning Assessment, even the ACT and SAT administered again at the end of the college career. Even the National Assessment of Educational Progress exams given at age 17 could be administered to see if learning occurred. Similarly, the National Survey of Student Engagement can be used (and is used by many schools) to give us information on what students do while in college; how engaged they are.

In addition, schools can be far more transparent in conveying, in an easy to understand fashion, all sorts of information about their operations generally not reported. Detailed income statements and balance sheets should be issued annually and audited by outside accounting firms. If the press or a think tank wants to know how many shares of XYZ stock Virginia Tech owns, or how much Professor X makes, or what the average teaching load of full professors is, that information should be conveyed promptly and accurately. Information on attrition rates, crime rates, postgraduate vocational success and the like ideally should be obtained and reported.

Students need this information to make more informed decisions as to where to go to school. The public has the right to know how taxpayer funds are being used. Donors have the right to know whether their funds are being used in accord with their intent. Universities are given special privileges, such as taxpayer subsidies, freedom from taxes, independence from political interference, etc. Whether those privileges are being abused or not is difficult to ascertain without a full accounting of how resources are being used. Legislative action to encourage outcomes-based assessment and transparency is worth considering, showing sensitivity to the desire of each institution to determine its own mission and goals.<sup>6</sup>

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<sup>6</sup> Senate Bill 300 ([http://www.legis.state.ga.us/legis/2007\\_08/fulltext/sb300.htm](http://www.legis.state.ga.us/legis/2007_08/fulltext/sb300.htm)) requires enhanced transparency for state entities, including financial and performance audits, as well as a listing of all personnel showing name, title or functional area, salary, and travel expense for each individual.

### *Refocus the HOPE Scholarship.*

The HOPE Scholarship program is a well-meaning attempt to make higher education affordable to good Georgia students. But it is also the victim of the Law of Unintended Consequences. Large numbers of HOPE recipients fail to graduate from college, suggesting perhaps the conditions of the scholarship should change. Making the scholarships available only to students with ACT composite scores of, say, 22 or above in addition to a B average would be one possibility.

Most Georgia postsecondary public schools suffer from low academic quality of their freshmen and the evidence indicates that the HOPE Program has not had a positive effect on academic quality. The top two public schools in the state, UGA and Georgia Tech, generally have high academic quality among their freshmen, but it should be noted that they saw improved quality *before* the implementation of the HOPE Program. The University of Georgia was able to increase its enrollment while maintaining the same level of quality because of the HOPE Program.<sup>7</sup> *Georgia institutions have extremely low graduation rates* and increasing the number of students who attend college through the HOPE Program does not appear to be improving the situation very much.

The overwhelming majority of entering freshmen who graduated from Georgia high schools and attended public colleges or universities received the HOPE scholarship as freshmen, yet only a small percentage of those students retained the HOPE scholarship throughout the entirety of their college career, though some regained the scholarship after failing to meet requirements earlier. *Of the 21,446 entering freshmen who received the HOPE scholarship in 1999, six years later, only 50.6 percent of those students had graduated.* While this graduation rate is certainly higher than the graduation rate of those students who entered without the HOPE scholarship, the claim that the HOPE scholarship is “hugely successful” when barely 50 percent of freshmen recipients graduate is not supported by the data.<sup>8</sup> Admittedly, transfers are not accounted for in this data set. Accounting for transfers into and out from (or even within) the University System of Georgia, these numbers could be higher.

It appears, then, that the effect of the HOPE Program on Georgia’s higher education has been mixed. It is likely that, through the program, students who otherwise would be financially unable to attend a four-year college are more likely to do so (some HOPE recipients at four-year schools would have gone to two-year schools in the absence of the program), but the program may fuel a decrease in the academic quality of Georgia college students. A University of Georgia study found that “the primary role of the HOPE Scholarship has been to influence where, not whether, students attend college. To the extent that it has increased enrollment, it has done so primarily at the four-year institutions and by increasing the choice of where students will enroll rather than by expanding access to higher education.”<sup>9</sup> For the HOPE Program to be truly successful, it must promote not only affordability for college but also an increase in the productivity of the students in Georgia both during and after their collegiate experience.

#### **Further reading::**

This chapter is based upon the larger study and recommendations found in “[Georgia’s Higher Education System: Success or Failure?](#)” by Richard Vedder and Jonathan Robe.

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<sup>7</sup> Still, Harry C. “Georgia: Observations of Senior Institutions Freshman Admissions Quality With Retention, Four and Six-Year Graduation Rates – 2006.” Higher Education Research/Policy Center, Inc. October 30, 2007

<sup>8</sup> The CCAP calculation for these graduation rates is based on the figures reported by the Board of Regents of the USG. See the source cited in the footnote above. Those entering freshmen who do not receive the HOPE scholarship are considered eligible for the scholarship but have not achieved the academic performance required for scholarship recipients. These graduation rates do not include HOPE recipients at private schools.

<sup>9</sup> Chris Cornwell and David B. Mustard, “HOPE Scholarship Affects Where, Not Whether, Students Attend College,” December 2001, <http://www.cviog.uga.edu/publications/pprs/80.pdf>