Introduction

Good evening, it is an honor to be with you. I had the good fortune to join the faculty here in 1985 and it has been a wonderful place to spend my career. I had the privilege of working with a first-rate group of scholars in a graduate program that has been consistently considered amongst the 10 best in the country. I have often said that my academic goal was simple – I did not want to be the laggard in the group.

I approach my remarks today with multiple goals. First and foremost, I am going to focus upon issues associated with the financing of public research universities. Arguably we are in a time when colleges and universities are experiencing more external and internal pressures than at any time in the last 70 years. The external pressures include federal and state emphases on accountability; reductions in state support; concerns about student debt; substantive changes in the number and socio-demographic make-up of high school graduates; and the after effects of the Great Recession. This has led to calls for public universities to be more efficient, to make decisions more quickly, and to offer more degrees that have value in the labor market. The costs of higher education have become a major political issue in both state gubernatorial races and in the current presidential campaign. Many of the criticisms of higher education are direct or in-direct criticisms of the faculty; that faculty are too tied to the past and to their fields of study, that they take too long to make decisions, and that faculty are too protective of their own academic turf. My observations this evening will not directly examine each of these criticisms, but
by drawing upon research on economics and the financing of public research universities I examine
topics ranging from the increasing numbers of professional staff, faculty workloads, and rising
institutional subsidies for research.

My own research has primarily concentrated on factors that influence college enrollments, college
choice, student attrition, and financial aid; however, I also have a long standing interest in the
economics and financing of higher education. I want to locate my remarks within the domains of both
my scholarship and my administrative experiences, as I have moved back and forth between faculty and
administrative roles during my career. I realize that no self-respecting faculty member is supposed to
admit that s/he wants to be an administrator or that they enjoyed the experience. But I am retired now
and can afford to take a risk and say that for the most part, I have enjoyed nearly 45 years of serving
both roles. Indeed, as a student of colleges and universities I always felt that serving in administrative
roles provided me with new ideas for research and better grounded my recommendations for research
and practice.

You should know at the outset that both my administrative experiences and my research have made me
a bit cynical about the priorities of institutions. When I have been in administrative roles I tried to never
take myself too seriously. I am always reminded of an award winning historical study of three of the
most significant Catholic universities in the United States. Goodchild found that over a 150 year period
on average that he could identify only three major decisions that substantively altered the trajectory of
each institution (Goodchild, 1986). Had you been in one of my classes you would have heard me say
don’t tell me what your mission statement says, show me how you spend your money and I will tell
you about your mission. Tonight I am going to talk briefly about state financial policy trends and how
these financial decisions shed at least some light on the costs of public research universities.

By way of introduction for my remarks, I first examine the financial and demographic trends that are
affecting public research universities. Next I present some of the theories and models that have been
used to explain the rising tuition costs of public research institutions and the behaviors of the faculty
and administrators who comprise them. I then move on to research topics in which I have spent most of
my career. I will examine efforts at public universities to capture both revenue and prestige through
student enrollments. Finally, I want to be clear from the outset that while I may mention my
experiences at IUB a couple of times, my presentation is based on published research and publically
available data bases; this is not an analysis of Indiana University Bloomington.
Now I want to set the context in more detail……..

Public research universities find themselves in an era of financial pressures and uncertainty. Increasingly federal and state policy makers are using metrics such as tuition rates, student loan debt, student retention and graduation rates, and measures of institutional financial health to assess the quality of universities – especially at the undergraduate level. I suspect everyone is aware of declining state support for public postsecondary education. Data from the Grapevine, a comprehensive source of information on state funding, reports that in fiscal year 2011 states on average spent $6.30 per $1,000 of state personal income on postsecondary education —down from a peak of $10.58 in fiscal year 1976 (Mortensen, 2012). If I were to have a power point plotting the relationship between state support and college tuition it would look like an almost perfect inverse relationship (The College Board, 2015). To bring things closer to home, in Indiana state support has declined by 17.2% between 1987 and 2012. To be fair, relatively speaking, state institutions in Indiana fared better than most states.

But state funding declines are not the only fiscal issues affecting state universities, how states allocate their dollars is also changing. There are only 13 states that have not adopted some form of performance based funding (PBF) (National Council of Legislators, 2015). For many decades public universities received annual increases and they could spend these dollars in any way they saw fit. However, under PBF models institutions are rewarded with more funding if they have successfully accomplished the following kinds of goals:

1. Increased graduation rates;
2. A decrease in total student debt accumulated;
3. An increase in the number of low income students enrolling; or
4. Increasing the number of STEM graduates.

The combination of decreasing state appropriations and state shifts to PBF budgeting have resulted in fewer resources per student enrolled and a reduced ability to make long term institutional plans with state funds. PBF requires public universities to use an increasing share of state appropriation funds to meet specific state goals rather than allowing universities to spend these dollars on institutional priorities.
A number of theories and models have been advanced to describe the financial expenditures of public universities. I begin with the two most commonly cited theories to explain the rising costs of higher education. I also consider two conceptual models. Following the discussion of these theories and models I examine the available evidence to support or refute each of these theories and models. To do so I draw upon multiple sources. Much of what I share is based on analysis of data from the Delta Cost Project. Funded by the Lumina Foundation and supported by the Integrated Postsecondary Education Data System (IPEDS), part of the U.S. Department of Education, the Delta Cost Project (http://www.deltacostproject.org/) has collected comprehensive financial information on all sectors of non-profit higher education between 1987 and 2012.

**Baumol’s Cost Disease:** Advanced by economists William Baumol and William Bowen (1965), in their initial paper focused on industries that are labor intensive and have not been able to find either substantial increases in labor productivity or that have been unable reduce the use of labor in the production process. They use the example of a quartet. A quartet cannot eliminate its cellist to balance its budget. Quartets must compete in the music performance labor market for the best they can find. Similarly, research universities are in constant competition for the best research chemists, leading economists, or the best pianists. In areas related to administration, universities have to compete with private industry and other universities for financial analysts, for IT staff, or a first rate director of admissions.

**Support for Baumol’s Cost Disease Theory:** The evidence does not support the Baumol and Bowen hypothesis. Recent analyses of Delta Cost Project data conclude the rising cost of benefits have had an impact on college costs, but increasing salaries have not (Desrochers, and Kirshstein, 2014).

**Bowen’s Revenue Theory of Costs and Martin’s Reputation Management Theory.** I had the privilege of taking classes from Howard Bowen during my doctoral program and he subsequently chaired my dissertation. In his lifetime, he was regarded by many as the leading economist of higher education. Bowen’s Revenue Theory of Costs is one of the most widely used theories. The assumptions of his theory are straightforward.

1. The dominant goals of institutions are educational excellence, prestige, and influence.
2. In quest of excellence, prestige, and influence, there is virtually no limit to the amount of money an institution could spend for seemingly fruitful educational needs.

3. Each institution raises all the money it can.

4. Each institution spends all it raises.

5. The cumulative effect of the preceding four laws is toward ever increasing expenditures (Bowen, 1980).

Bowen’s Revenue Theory is closely related to what Robert Martin, also an economist, calls Reputation Theory (Martin, 2011). Martin posits that prestige or reputation maximization is the primary motivation of universities. Reputation Theory leads to competition amongst universities for the best students, facilities, faculty, and athletic programs. Martin also suggests a strong emphasis at the managerial level on the use of public relations to manage the image of the university. He argues that because of information asymmetries between universities and students - that is universities have more information about themselves than do students - that universities manipulate information to their advantage. As a result universities have invested more and more resources in public relations efforts to manage perceptions of their brands in an effort to maximize their prestige and reputations.

Support for Bowen’s Revenue Theory of College Costs/Martin’s Model of Reputation Management

1. Tuition discount rates have been rising for some time at public research universities\(^1\). Between 2000 and 2012 the average institutionally funded college grant in constant dollars has risen from $3,011 to $6,677 (Delta Cost Project, n.d.). To the extent these grants are being used to attract high ability students to improve average SAT/ACT scores, this is an example of both Bowen’s and Martin’s work. Michael Bastedo and Nicholas Bowman (2011) refer the focus on recruiting high ability students as prestige seeking behavior. Not all financial aid is merit-based, however, and I will return to this topic later and discuss it in greater detail.

2. There is substantial evidence that research universities are spending more and more of their own dollars to subsidize research. Ron Ehrenberg, a respected economist, and former CFO at Cornell University, and two colleagues (Ehrenberg, Rizzo and Jakubson, 2011), looked at institutional subsides for research from 1970-1971 to 1999-2000 at 228 public and private

\(^1\) Tuition discount rates can be defined using one of the two definitions,

\[
\text{Tuition Discount Rate} = \frac{\text{Total institutional grant aid}}{\text{Total gross tuition and required fee revenue}}, \text{ or}
\]

\[
\text{Tuition Discount Rate} = \frac{\text{Average institutional aid per student}}{\text{Published tuition and required fee rate}} \quad \text{(Baum and Lapovksy, 2006)}
\]
research universities. When divided by the number of tenure-track faculty members, university subsidies for research had more than tripled. They also note that the increase in research expenditures corresponds closely to the increasing use of non-tenure track faculty and part-time faculty during the same time period. A 2012 study produced by the National Science Board (2012) noted similar trends. Looking across both studies, the authors suggest the following reasons for rising costs: IRB compliance costs; the costs associated with research infrastructure, such as buildings, laboratories, field stations, and facility renovation; and finally cyberinfrastructure. Neither of these studies focuses solely on public research universities so these data may not be entirely representative but it is unlikely that public universities have been able to avoid these rising costs. Data compiled by the Delta Cost Project are treated quite differently so I will simply say that these data also show a large increase in the amount that research is being subsidized by public research university dollars.

One more point should be added here, while there are some professional masters’ degrees that generate excess revenue over expenses, most graduate programs at research universities lose money. Graduate education is subsidized by undergraduate education. While I am going beyond the data available to me, it is very likely that undergraduate tuition is also subsidizing the research enterprise at research universities. Few major research universities want to lose the status that comes with being counted among the top research universities in the country. Thus it is fair to say that this is another example supporting the work of Bowen and Martin. However, it might also be argued that these expenses are made on behalf of tenure-track faculty - which I discuss later.

The Principal/Agent Problem: More recently Robert Martin (2011) draws upon another approach to explain the rising cost structures. He employs the Principal/Agent Problem to examine college costs. For a moment, think of an attorney working with a client. The lawyer should be looking out for the best interests of their clients. In this instance the individual who has retained the attorney is the principal and the lawyer is the agent. However, there is always the possibility that the lawyer will recommend steps that will lead to more billable hours which would mean that s/he has confused what is best for the principal with what is best for the agent.
Using this analogy, Martin suggests that students are the principals. However, because they have a transitory relationship with the university and because administrators, faculty, and even boards of trustees (the agents) have longer tenure at institutions, that it is easier for them to confuse what is best for them with what is best for students – the principals. When the agents are motivated to act in their own best interests rather than those of the principals this can cause college costs to increase faster.

Before moving on, I want to note one problem with the principal/agent problem being applied to research universities. I would argue that the principal/agent problem is a very plausible explanation for many decisions being made at the undergraduate level, but at the graduate level its utility is in question. This is because the research mission of research universities is to engage in original research. At the graduate level it can be argued that several stakeholders including the faculty, public and private funders of research, graduate students, and even society might be considered principals. Thus, there may be some decisions that serve the research mission of a university but disadvantage undergraduate students. Nevertheless it is a provocative lens from which to view the rising costs of higher education and it should not be completely dismissed.

**Evidence Supporting the Principal Agent Theory**

Looking across the research that has been presented it is evident that there is a case to be made for undergraduate students that the agents (faculty, administration, and boards of trustees) at times act as if they were the principals. Arguments could be made that by investing more dollars in research, that lower teaching loads, by increasing the size of professional staffs, and by recruiting higher ability students (which I discuss more in the next section) that we are serving students better by making public research universities better known. The line of argument could proffer that when universities are better known and more highly ranked that students benefit because their degrees are worth more. However, it could also be argued that because of information asymmetries students do not really understand all of the decisions being made that raise their costs, and if they were aware they might make different decisions.

**The Administrative Lattice and the Academic Ratchet:** William Massy, an economist who taught at Stanford and later became the chief financial officer, and Robert Zemsky, a distinguished professor at the University of Pennsylvania have posited the following the following model to explanation rising costs in higher education; it is not a theory but rather a conceptual model. Massy and Zemsky coined the
phrase the administrative lattice and the academic ratchet. The administrative lattice refers to the growth over time in administrative staff that occurs for two primary reasons.

1. Government regulation that requires additional administrative staff to carry out mandated functions.
2. Administrative entrepreneurialism, which refers to the ability of administrators to make the case for new positions because they will result in more gifts to the university, which results in more development staff; more counselors to improve retention rates and thus retain more tuition revenue; or new admissions personnel that will recruit more students to increase tuition revenue and/or more high ability students to increase university prestige.

The academic ratchet refers to declining teaching and service loads as faculty divest themselves from teaching as many classes and other tasks they no longer wish to perform such as advising or other forms of faculty service. Over time faculty come to view reduced teaching and service activities a property right that should continue in perpetuity. In addition, the push toward expanding the curriculum to new areas of study or specialties without a concomitant reduction in other fields where student demand has declined or where fields have changed is yet another example of the academic ratchet. Massy and Zemsky argue that the lattice and the ratchet lead to ever rising costs.

Support for the Administrative Lattice and the Academic Ratchet

The Academic Ratchet: I draw on a range of research related to this topic. While there are no definitive studies of faculty workloads at public research universities, the bulk of research suggests that faculty teaching loads have been declining for several decades, even when research buy-outs are considered (Clotfelter, 2014; Massy and Zemsky, 1994; Martin, 2011; Schalin, n.d.; Winston, 1994). Some of these studies focus only on research universities, some focus on liberal arts colleges, and others look across all sectors of higher education. Charles Clotfelter, another well-regarded economist at Duke University, examined teaching and service loads at four private research universities. He documents not only a decline in teaching, but also in the extent to which faculty advise undergraduates. This is a form of the academic ratchet, helping to enable faculty to pursue their research interests, over teaching and service - even when funding from grants are insufficient to cover the full cost of a project. In addition a series of studies have been undertaken that show that faculty members over time have increased the numbers of sections of courses offered and to decrease the number of students enrolled in each section thus adding
additional cost to the enterprise. Finally research on the academic ratchet has also demonstrated that additional majors and subspecialties in various fields added to the curriculum without concomitant reductions in fields where interest is waning or has become stagnant (Massy and Zemskly, 2012; Phillips and Poliakoff, 2015, November).

The Administrative Lattice: For this discussion I can draw more directly on empirical studies that are recent and directly relate to public research universities - including from the Delta Cost Project. A 2014 study reported that between 1990 and 2012 the ratio of full-time faculty to professional staff declined from 3.5 to 2.2 - a substantive decline (Desrochers & Kirshstein, 2014). A number of explanations have been advanced for the growth in campus administrators. Chief among them is the rise in government mandates, followed by oversight of more complex administrative requirements including the following (Desrochers, & Kirshstein, 2014; Ehrenberg et al, 2003; Martin, 2011):

a. information technology professional staff,

b. research compliance staff,

c. increased fiscal analysis staff,

d. human resources professionals,

e. enhanced student services, and

f. increased fund raising and public relations staff.

Before continuing, however, I want to note that this same data source shows no increase in the number of executive management positions, rather the growth is in professional positions.

It may come as a surprise to you that there has been growth in the area of student services but let me provide more information. The data available does show where the increases have been in student services, but some studies (Cleindist & Hawkins, 2011; Marcus, 2014) have reported that increases in areas related to admissions and financial aid as part of an increasing emphasis on enrollment management – even at the graduate level – and all of these personnel are considered part of student services in IPEDS. In addition, as faculty advising has become increasingly rare at research universities, institutions are hiring more and more professional advisors. However, both Desrochers, and Kirshstein (2014) and Martin (2011) also conclude that administrative entrepreneurialism is also an important factor driving the growing number of professional staff.
The Micro-Level

I don’t want to end the evening without briefly discussing one more topic that is both relevant to this discussion and draws on some of my own work. That is the cost of recruitment at public research universities. It is hard to understate the twin effects of both the increasing importance of undergraduate rankings and state disinvestment in their public research universities. I link these two trends for the following reasons.

1. The rise of ranking publications like US News and World Reports Americas Best Colleges and Universities has made the quality of every university appear to be more tangible. This fueled the drive amongst public research universities to play the prestige seeking game at the undergraduate level. This in turn leads to ever increasing costs to recruit better students and to become more selective.

2. In addition, public universities have turned to recruiting more out-of-state students who pay higher tuition as a way to offset declines in state support.

Together, these trends have caused public research universities to ramp up their expenditures on college admissions. The most recent data available is from 2013. The costs of recruitment are approximately $600 per student across all public universities (Ruffalo Noel Levitz, 2013). However, this understates the full costs at public research universities because they are more likely to recruit students from across the nation and the globe and thus spend more than the average for all public universities.

Nor do the analyses usually include the cost of marketing in the form of billboards and television and radio advertising. While not all advertising is done strictly for admissions recruitment, it has been my experience both during my administrative time at Indiana and in the consulting I have done, that recruitment is usually offered as a major rationale for these expenditures. In a literature review I undertook in 1999, I found that advertising, especially radio, can influence the enrollments of colleges and universities that primarily draw from local markets and that attract large numbers of commuters including working adults (Hossler, 1999). But there are no similar studies for institutions that attract students from a large geographic area. There are no studies that have examined the efficacy of billboard marketing on students’ choice of college when prospective students come from across the nation. Similarly, there are a few studies that have examined the effects of television on student college choice, and most of them find no effect. Berger and Wallingford, 1997) find that television and billboard can build awareness which is an important first step in students’ college choice – if they don’t know you
exist they will not apply. However, because public flagship research universities have such high levels of visibility in their home states and many contiguous states it is unclear that these forms of media advertising are good investments for public research universities.

For the text part of this paper I draw in literature I have reviewed. The researchers conclude media like television is a poor an ineffective to reach high school students. To drive home the import of my next comments I am going to immodestly note that I am regarded internationally as one of the 2-3 leading researchers on the topic of student college choice. When I try to extrapolate from all research I have undertaken about what influences college choice and where to prioritize expenditures to recruit students, especially high ability students, these mass media approaches would not be on my list. Now, I confess, media purchases are not among my areas of expertise, however, I did a Google search on the costs of these kinds of media advertising. The average cost of 30 seconds of TV advertising is $112,000 but it can be as little as $25 if it is a small market and/or if it is on a low market share cable network (Ad Age, 2015; Morrow, 2009). The average cost for an image on billboards in Indianapolis is $3,100 per 4 week time period. These costs, however, do not include the costs of producing high quality advertising, thus the costs of this form of advertising can be substantial.

Far more importantly, however, none of these figures include the costs of financial aid. Over the last fifteen years there has been a dramatic increase in the amount of institutional financial aid being provided for students. In 1987 public research universities spent 6.3 billion dollars on financial aid. In 2012, they were spending 83 billion. Tuition discount rates have gone from 11% to 19% during this same time period (Delta Cost Project (n.d.)

This increase in institutionally funded financial aid may or may not be problematic. In some instances modest amounts of merit-based aid can actually help provide more funding for need-based aid. This is complicated terrain and I hope we have some time during any Q&A to discuss this topic more. Nevertheless, as public research universities have increased their tuition costs, they begin to move further along the privatization continuum. Thus, like private institutions they need to provide more financial aid. I have a value judgement to ask of you. On any campus are institutional aid dollars primarily being used to meet the needs of low-income students or are they being used to buy prestige – merit aid to attract more students with very high test scores so a university can increase its rankings? Which of these choices would you make?
For the past three years I have chaired a committee jointly sponsored by the Association of Governing Boards and the National Association of College and University Business Officers. We have been guiding the development of a benchmarking tool that enables all non-profit colleges and universities to compare their institutionally funded financial aid with peer institutions. Table I represents the aid expenditures of one public research university (Hossler & Price, 2014).

<Insert Table 1 About Here>

Nearly 60% of all aid at this institution, possibly more, is probably going to students who are likely to have little or no financial need. While we need more data to understand the characteristics of the students at this sample institution, the first impression is that this institution has elected to buy prestige and move up the rankings with merit aid. Data like these often cause me to recall a conversation I had with a colleague several years ago who was in SPEA. He told me was moving to Texas A&M because it was ranked higher on the U.S. News ranking of undergraduate programs. I thought to myself, he doesn’t even teach undergraduates – but I guess this will make him feel better about himself.

Summing Up

I have tried to outline the factors driving the costs of public research universities. Looking across all public research universities there is evidence of substantial growth in professional staff. There is also a significant increase in the amount of institutional dollars being spent to subsidize research as well as to, as we say in admissions, to bring in the class. And there is evidence that the academic ratchet, that is declining teaching, advising, and service activities of faculty, curriculum creep, and smaller class sizes are also increasing costs. Additionally, faculty are benefitting from greater institutional subsidies for their research. I should stop for a moment here, however, and note that not all faculty are benefitting from these subsidies. These subsidies are primarily going to STEM fields. Please understand I am not being critical of this, but in the spirit of transparency, this needs to be acknowledged. There are no easy decisions for this complex array of factors. However, if none of these expenditure patterns change we will see some combination of higher tuition costs and/or larger enrollments without increasing the size of the full-time faculty. We will receive even greater levels of scrutiny from public policy makers and possibly direct intervention from the legislature on tuition setting.
Public Research Universities, including IUB, face difficult decisions. Embedded in each potential decision are issues of values and priorities that I will briefly touch on. And you should know I offer these observations with a bias, and that bias is that I am a strong believer in shared governance – these decisions should be made in a collaborative way.

1. Most importantly, the budgeting process needs to be transparent. Committees like our Budgetary Affairs Committee at all public research universities, should not only be involved in decisions at the policy level, they need access to benchmarking data so they have some sense of how expenditure patterns at their university compares with other similar research universities. Most of the issues that we deal with at administrative levels lead to the question – *compared to what?*

2. Both administrators and faculty committees need to monitor expenditures constantly asking, *What are the marginal benefits or costs of investing more, or less, in this activity?*

3. What are the limits to subsidies for unfunded research activities? For example at IU, are there long-term implications for our status as an AAU institution if we reduce subsidies? How much are universities willing to spend for prestige that comes with grant funding? Also, whose money are public research universities willing to use to pay these costs?

4. Along these lines it is of interest that neither the Canadian government or the Ontario provincial government pays indirect costs on grants. The governments’ attitudes are – we already provide you public taxpayer subsidies. So the University of Toronto has a limit on how many grants they will accept annually because of the costs it would have to pay to subsidize the funding. What makes this especially interesting is (1) Toronto still manages to be very highly ranked, and students are part of the union that oversees the governance of the U of T. Perhaps there are other models that need not jeopardize the status of research universities in the United States and that give students say in how their tuition dollars should be used.

5. Are faculty willing to seriously engage in making difficult decisions about curriculum creep? Are they willing to tackle hard questions about the slow but steady decline in our teaching and service activities, or regarding the research subsidies? If not then they seriously undermine their claims on key aspects of the institutional governance process.

6. There is no question that public research universities require a strong IT infrastructure, fiscal analysis, effective grants, contracts, and IRB function, follow HR rules, and so forth. On the other hand, are there limits on what percentage of the budget should be spent on these
functions? How many administrative offices and academic units need PR staffs? At what point do the costs outweigh the benefits?

7. To the extent that institutional dollars are being spent on merit aid, how much should universities spend on the pursuit of prestige? Are universities spending their financial dollars in optimal ways? Make no mistake, as tuition discounts rise, if universities are directing most of their financial aid primarily to students with very high SAT scores, and they do not meet substantial amounts of the financial need for low income students, universities may well be causing low income students to borrow more money to in part help fund financial aid for high income students. I want to really reiterate this statement with great care, if you leave this lecture today with the impression that all merit aid requires low income students to borrow more money to subsidize affluent students you have misheard me. However, this is a possibility and it is an empirical question that a good institutional research unit on any major university can answer. Until somewhere between the mid and late 1990’s most public research universities were comfortable with being relatively unselective at the undergraduate level but they still had great graduate programs. How much are public research universities willing to spend to pursue prestige from enrollment rankings? These questions lead directly to a much larger question – what is the mission of a state research university? To what extent should the pursuit of prestige

THE MISSION OF PUBLIC RESEARCH UNIVERSITIES?

8. Most of the issues I have raised today are consistent with both Bowen’s Revenue Theory of Costs and Martin’s notion of Reputation Management, as well as the academic ratchet and administrative lattice. I believe that the principal/agent problem also presents a provocative perspective on some trends at public research universities. To some extent, the compilation of these trends suggest, to paraphrase the words of the immortal cartoon character Pogo, we have met the enemy and they are us.

In these remarks I have tried to highlight some of the key metrics, theories, and concepts can be used to examine the costs of public research universities. While these remarks do not focus on IUB, I confess one of my hopes is that faculty members at public research universities will make use of information like this to become more informed participants in academic governance. As I’ve already noted there is a call amongst public policymakers, the general public, and even college and university administrators for our postsecondary institutions to be run more like businesses and to make decisions more quickly. Clearly, when institutions are under financial duress, slow decision-making can be very expensive. On the other hand, when they are not under duress, I know of no research that shows that fast decisions always lead
to better decisions. Faculty members do not have to understand every budget line to provide informed input, but they do need to have a conceptual understanding of the issues and comparative information to weigh the consequences of their input.

(The author would like to thank Drs. Barry Bull, Peter Hossler, and Tom Nelson-Laird for their critiques and substantive contributions to this paper)

References


Delta Cost Project (n.d.) (http://www.deltacostproject.org/)


**Figure 1: Institutional-Aid Dollars Awarded by Adjusted Gross Income, Three-year average 2009–2011**

**Public Four-Year Research University**

AGI is a federal term standing for adjusted gross income. AGI UNK stands for adjusted gross income is unknown. This means that the family or student did not submit the federal financial aid application. A spate of studies have found that when this happens in most instances the families have high incomes that would not make them eligible for federal financial aid.

AGI greater than 100K means that in most instances families would not be eligible for need-based aid. For many in-state students, even an AGI of $75,000 to $100,000 would not be eligible for need-based aid.