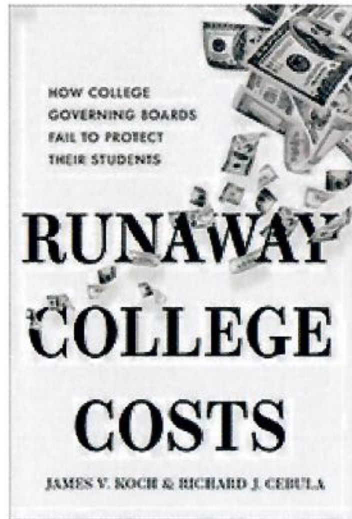
Due to concerns about COVID-19, the AAUP office has transitioned to telework. Please contact staff by email.

Like 0 Tweet Share 2

Governance Boards and the Cost of Attending Public Colleges and Universities

By Robert C. Lowry



Runaway College Costs: How College Governing Boards Fail to Protect Their Students by James V. Koch and Richard J. Cebula. Baltimore: Johns Hopkins University Press, 2020.

The cost of obtaining a college education has become one of the major public policy issues of our time, and there is much debate about why college tuition and fees have increased so much in recent decades. In their recent book *Runaway College Costs*, James Koch and Richard Cebula focus on public colleges and universities since the early 1990s. They are sympathetic toward Bowen's Rule, which economist Howard Bowen—who served as president of Grinnell College, the University of Iowa, and Claremont Graduate University—devised to describe how institutions of higher education tend to raise as much money as they can and spend it all in the pursuit of excellence, prestige, and influence. The question then is, Who lets this happen? Koch and Cebula argue that the members of college and university boards of trustees (sometimes called the board of governors, or visitors, or regents) are largely at fault. College and university administrators and faculty are simply responding rationally to professional incentives, while trustees have a fiduciary duty toward students and their families. They play a role in defining the incentives that

motivate administrators and faculty, and they must approve requested increases in tuition and fees (except in Florida and Louisiana, where the state legislature has authority).

The authors begin with a review of familiar trends in public institution tuition and fees and state appropriations per student, with two welcome elaborations. First, they emphasize that the rise in the cost of attendance at public colleges and universities is not solely the result of a decrease in state support per student. In fact, the increase in the former far exceeds the decrease in the latter on average from academic years 1992–93 to 2017–18. Second, they show that national averages can be deceiving. Differences in the change in total revenue per student from tuition and fees plus appropriations between Missouri, at the low end, and North Dakota or Wyoming, at the high end, are dramatic.

Chapter 2 argues that increases in net tuition and fees, the price paid after financial aid is factored in, have undercut the historical role of public universities as engines of economic mobility. The authors review data from a recent study by the Opportunity Insights program at Harvard University that compares the incomes of college students' parents at ages thirty-two to thirty-four with the students' own incomes at the same ages, focusing on the percentage of all undergraduates at various universities who have moved from the bottom income quintile to the top—a high standard for mobility. They argue that governing boards have paid insufficient attention to the effects of price increases on students' economic mobility, particularly at elite and flagship public universities. However, it is worth noting that the Opportunity Insights data were not available until 2017. Before then, data that might have been available to governing boards included the percentage of students receiving Pell Grants or the distribution of family incomes reported on financial aid application forms. Both of these are static measures that do not capture whether students are able to improve their economic status after attending the college or university.

Chapters 3 and 4 provide analysis linking price increases to different types of governing boards. The authors show data describing changes in tuition and fees and state support per FTE student for a sample of 275 public universities broken down by their educational missions and governance models. This sample was itself drawn from approximately seven hundred public four-year institutions based primarily on data availability. They then present results from multivariate regression models of the effect each variable has with other variables held constant, using data from 230 of these universities. It would have been helpful to see a table or figure comparing institutions that are included in the regressions with those that are excluded, using variables that are available for both. This would have provided information on whether the sample that they selected is biased in some way that might be important.

Most of the regression models focus on the change in real (inflation-adjusted) in-state tuition and fees per full-time equivalent student from the 2003–04 academic year to 2016–17. This is measured as the actual change rather than the percentage change, without controlling for real tuition and fees per student in 2003–04. Many of the explanatory variables are measured at a single point in time, which is generally not specified. The unstated assumption is that the values of these variables remained approximately constant throughout the period covered by the data set. However, this is not true in some cases for the variables measuring governance. The authors use a series of binary variables to measure whether each college or university is in a state with a statewide coordinating board or a statewide governing board, and whether it is governed by a systemwide board. They mention in other chapters that California's statewide coordinating board was eliminated by Governor Jerry Brown in

2011; other states that eliminated statewide boards include Delaware and Washington in 2012. It is not clear whether the authors used the old or the new governance structure for universities in these states or why a governance structure that was in effect for only part of the time covered by the data should explain price increases over the full period.

The authors' principal finding is that the average increase in tuition and fees per student is lower in states with statewide governing boards, assuming all other variables in the model are held constant. Statewide coordinating boards have a smaller negative effect that is not statistically significant in most models. (Universities governed by boards that are systemwide but not statewide might also be subject to oversight by a statewide coordinating board. The full effect would then be measured by the sum of the coefficients.) The authors do not explain why statewide coordinating boards should matter at all, given that they do not set prices. Every state that has a coordinating board has at least two institutional governing boards, and authority to set tuition and fees rests with those boards. One possibility is that coordinating boards hold public institutions accountable by collecting and sharing information and employing staff who are knowledgeable about the issues. Even without formal authority over tuition and fees, they may cause university governing boards to be more responsive to public concerns over the rising cost of attendance.

Despite my reservations about some aspects of their analytical framework, the authors' main finding is supported by their analysis of governing boards in chapter 5. Previous analyses of the relationship between governance structure and university behavior have generally taken a top-down perspective, like my suggestion above regarding the influence of statewide coordinating boards. Koch and Cebula look at matters from the bottom up. They argue that board members who govern a single university are more likely to be co-opted (or "captured," in the language of public choice economics) than those responsible for multiple universities. The former are likely to be alumni or to have another personal connection with the university that they govern and receive a great deal of attention from the president and other high-level administrators. They typically rely heavily on these administrators for information and may defer to the vision and strategic judgments of the chief executive officer. Board members who oversee multiple universities are less likely to have a personal connection to any given institution or administrator and may be less open to influence during carefully orchestrated campus visits or through other interactions. This structural difference can help to control increases in tuition and fees.

Chapter 5 also includes many suggestions for changing the selection and training of governing board members to increase the likelihood that they will fulfill their fiduciary duty toward students and their families. Notably, the authors do not suggest altering the formal governance structures studied in their empirical analysis. This may be politically astute: formal governance structures are difficult to change, especially at elite and flagship universities whose powerful alumni, some of them serving in the state legislature, would likely object. While some states have decentralized their governance structures in recent years, imposing a more centralized structure over the objections of the supporters of long-established universities is a more difficult task despite the potential benefits.

Chapter 6 focuses on initiatives that universities can undertake internally to control costs and thus increases in tuition and fees, while chapter 7 presents an "action agenda" for governing boards. Most of the recommendations seem quite sensible, but some may be difficult to implement because of the pressures of competition among comparable institutions. Consider their recommendations to control spending on amenities and

residence halls. Koch and Cebula recognize that institutions that do so may risk losing students to competitors, but their advice ultimately boils down to "just say no" to playing that competitive game. The logic of the prisoner's dilemma—which describes situations where short-run self-interest implies a lack of cooperation—suggests that such cost containment is unlikely to happen very often. Here again, governance structure should matter. A statewide governing board can restrain spending at every public college and university in the state, thus negating the temptation to compete. A statewide coordinating board can track spending and use the information to discourage individual governing boards in the same state from engaging in an arms race.

Finally, what other measures of university behavior and performance might be used to assess the effects of governance structure and mode of operation? The authors present a regression model of administrative costs for a single year in chapter 4; this could be expanded to multiple years and additional cost categories. Another possibility would be to include retention and graduation rates. The university's contribution to economic mobility is another factor to consider, particularly if the Opportunity Insights program continues to generate data for subsequent years.

Koch and Cebula make a significant contribution to our understanding of public colleges and universities by focusing on the role of governing boards. An important question going forward is, How much change can be accomplished without entering a political minefield by trying to alter formal governance structures?

Robert Lowry is professor of political science at the University of Texas at Dallas. His teaching and research interests include the political economy of higher education, state fiscal policy, environmental policy, and political and civic organizations. His email address is robert.lowry@utdallas.edu.