Leading the Way on Higher Education Reform through Smart Giving: A Roadmap for Private Philanthropy

Lindsey M. Burke and Adam Kissel

July 30th, 2020

Most U.S. colleges and universities have long needed fiscal discipline. Expensive bureaucracies flourish, with billions misspent outside of colleges' core missions. This reality has become even clearer during the 2020 pandemic. Shutdowns across civil society have been eroding university revenue, including endowment payouts, tuition, philanthropy, and state appropriations.

Bankruptcies and fire sales like that of Green Mountain College will accelerate. Alumni inevitably will feel emotional pressure to make large contributions to save their colleges. But wise givers will be better prepared if they consider philanthropic bailout conditions now. This paper offers a framework for foundations and individual donors to sustain colleges and universities for the long term.

The Big Picture

Since 1980, costs at four-year public colleges have increased at twice the rate of inflation. Nationally, tuition and fees for in-state students attending public four-year universities were three times higher during the 2019-20 academic year than they were during the 1989-90 academic year, adjusting for inflation.[1] This rise has complicated colleges' value propositions. A full third of college graduates are underemployed in jobs that do not require a bachelor's degree,[2] which suggests significant malinvestment.[3] It takes more resources today to educate a postsecondary student than a generation ago...Relative to other sectors of the economy, universities are becoming less efficient, less productive, and, consequently, more costly," economist Richard Vedder writes.[4]

Administrative bloat, useless program offerings, expensive amenities, construction and maintenance costs, and operations outside of universities' core competencies have strained budgets and effectiveness. Federal subsidies have enabled this spending. Federal spending on student loans has increased dramatically, from $48.2 billion in 1998-99 to $93 billion in 2017-18, in 2018 dollars.[5]

Giving Wisely to Save a College: Five Key Concerns

Before making a significant grant or gift to keep a college in business, donors should consider five areas that can substantially affect fiscal and academic success. Since failing colleges tend to rely heavily on tuition, academic quality and measurable student outcomes are integral to financial stability. The five areas are: 1) faculty to non-faculty ratios; 2) program effectiveness; 3) facilities and amenities expenditures; 4) auxiliary service costs; and 5) whether the environment of the institution promotes a free, responsible, and flourishing society.

1. Reduce Administrative Bloat

Administrative costs have ballooned in recent decades as faculty members have ceded control to non-faculty bureaucrats.[6] From 1993 to 2007, student enrollment increased 14.5% while the number of administrators employed per 100 students grew nearly 40%. [7] In the same period, real per-student spending on administration increased 66%.[8] Todd J. Zywicki and Christopher Koopman of George Mason University found that this trend continued, with administrative hires to manage "people, programs, and regulations" increasing 50%faster than teaching faculty between 2001 and 2011.[9]

According to the National Association of Scholars, non-instructional staff and administrative positions now account for more than half of university payroll costs.[10] Senior positions are particularly costly. Schools employ numerous specialized deans and directors, from "student success managers" and "health promotion specialists" to directors of various offices of equity and diversity to deans of faculty affairs.

At the University of Minnesota, for example, the number of administrators paid more than $300,000 per year rose from seven to 17 from 2001 to 2012.[11] Senior administrators also have administrative staff, averaging a $43,600 annual salary in the University of California system.[12] In comparison, the average salary of tenured professors at public colleges was $99,000 in 2019-20.[13]

Accordingly, donors who want to save a failing institution should strongly consider conditioning support on administrative spending reform. Such reform includes changing policies and practices that enable bloat, reducing positions that are less valuable in an increasingly online environment, and dramatically reducing the overall ratio of core to ancillary staff spending. The latter requires a sober evaluation of the college's core mission and the true value that administrative roles provide to that mission.

Boards of regents and trustees, which often include the most frequently solicited alumni, also have the best opportunity to get the data that matters and ask these hard questions. Even before a crisis hits, they should consider requiring a formal review of administrative and non-faculty positions with an eye toward reducing administrative overhead. Public universities should make such information public.[14] The American Council of Trustees and Alumni has a particularly useful tool, Howcollegesspendmoney.com, which enables users to pinpoint exactly how much particular colleges spend on administration relative to instruction.

2. Reduce Ineffective Programs

Philanthropic help to save a college should insist on canceling persistently ineffective programs and reforming core-mission programs to ensure they succeed. Colleges and universities should assess their program offerings not only for alignment with the academic and formational goals of the institution but also for whether they are succeeding. A college in trouble should have prioritized its programs much earlier to strategically allocate funding, but the issue is urgent for eleventh-hour donors.

Donors should ensure that the institution can affirm that each program is critical to, or at least a strong contributor to, the college's mission. That is: Does the program form students well? Does it improve their wellbeing? Does it contribute to the American workforce? Does it prepare them for future scholarship? Does it promote a free, responsible, and flourishing society?

Of course, faculty, students, and alumni from programs on the chopping block will become upset. Furthermore, "Intense ideological differences on where to cut are to be expected."[15] Some departments will complain that cuts are due to oppressive capitalism rather than their low number of majors and poor student outcomes. Moreover, some majors, such as history, linguistics, or religious studies, may not have enrollment and graduation numbers on par with the economics department, but they fulfill the college's mission by sending graduates on to successful careers in or out of academia. This is why donors and trustees should advise senior administrators to make such decisions objectively and long before the emotion of financial exigency.

Donors also can remind colleges that program prioritization can help them assess operational details such as whether course schedules efficiently use classrooms; recruitment strategies such as being able to provide a clear articulation of college mission and quality and likely student outcomes; and accreditation by providing clear alignment between the structure of the curriculum and the goals of the institution.[16]

For example, about a decade ago the University of Colorado board of regents requested that the CU system launch a program prioritization initiative. This work included evaluating academic and administrative programs for: 1) resource efficiency (income and expenses and space efficiency); 2) degree production (percentage of total undergraduate degrees in a program); 3) scholarly accomplishment ("percentile rank in Academic Analytics Based Comparative Measure); and 4) undergraduate teaching effectiveness (mean of response of survey of seniors and non-major credit delivery).[17]

In 2014, partnering with the Lumina Foundation and Gallup, Purdue University inaugurated the Gallup-Purdue Index. "The largest representative study of college graduates in U.S. history," the index focuses on long-term student outcomes, which Purdue identified as its most important mission. Purdue sums up such outcomes as "Great Jobs, Great Lives."[18] The six indicators of strong post-college well-being include:

a) "I had at least one professor at [college] who made me excited about learning."

b) "My professor(s) at [college] cared about me as a person."

c) "I had a mentor who encouraged me to pursue my goals and dreams."

d) "I worked on a project that took a semester or more to complete."

e) "I had an internship or job that allowed me to apply what I was learning in the classroom."

f) "I was extremely active in extracurricular activities and organizations while I attended [college]."[19]

3. End Amenities Envy

Colleges have spent billions to attract and retain students through flashy facilities and extracurricular amenities. No college needing a donor bailout can afford such luxuries. If the maintenance costs are very low, the high-end student centers, fire pits, lazy rivers, lap pools, putting greens, and rooftop gardens can stay. Otherwise, austerity dictates that they must go.

Fancy new facilities must take second place to maintenance of core-mission facilities. This spending, all too often, has been deferred. Furthermore, donors should consider requiring that the college plan for no new buildings of any kind for at least a generation. Eight-figure donors who prefer recognition also often prefer new construction, but they are signing up the college for significant long-term maintenance in a time of increasing online instruction and declining enrollment. If bailout donors require a "no new buildings" policy, the college can refer future eight-figure donors to this concrete policy and request that they direct their gifts and grants to existing buildings. Such a policy would curtail what Neal McCluskey of the Cato Institute has deemed the "edifice complex."[20]

Even for a college that reasonably predicts increases in enrollment, it is unlikely to need any new buildings. A college that has streamlined its administration, cut its badly performing programs, and developed healthy online offerings can grow significantly within its current capacity. Additionally, classrooms tend to be extremely underutilized across the full range of daylight hours and six days of potential classes.

Trustees and donors also should consider a merger as a bailout condition. Many colleges throughout America's history have saved themselves, and their names, by merging. Consider how Franklin College and Marshall College became Franklin & Marshall College in 1853, continuing to honor Chief Justice John Marshall and donor Benjamin Franklin to this day.[21]

4. Privatize Auxiliary Services

Most colleges have no culinary school and have no need to have their own dining services, unless they intentionally overcharge students for meals. Likewise, most colleges do not have programs in hotel management and do not need to be in the landlord business. Donors should consider requiring colleges to cut costs by outsourcing delivery and management of auxiliary services that are unrelated to their core research and instruction functions. For example:

Dining services

In 2012, Purdue University consolidated residential dining, catering, and retail locations. This move facilitated a 5% decrease in the cost of student meal plans for two consecutive years. It also led to a 20% reduction in dining staff.[22]

Colleges routinely charge more per meal than what that same meal might typically cost at home, and many make on-campus meal plans mandatory. While the Bureau of Labor Statistics (2017) estimates that, on average, individuals spend less than $11 per day on food, the daily cost of a university dining meal plan is around $18.75, or about $4,500 for a roughly eight-month meal plan. Wellesley College, an amenities-envy school, mandates a $7,400 plan.[23]

Many institutions already contract food services to outside companies including Aramark and Sodexo. Those that do not should explore such contracts, leaving food service to expert companies that can leverage economies of scale to reduce costs, which should benefit students.

Even better, many colleges with mandatory plans should explore the idea of treating students as the adults they are, eating what, how, when, and with whom they please. For a failing college, a financial analysis of outsourcing or ending mandatory meals should be a bailout condition.

Student housing

It cost three times as much to build a college residence hall in 2008 as in 1997, according to College Planning & Management's College Housing Annual Report,[24] with a median cost of $231 per square foot.[25] After that comes maintenance, utilities, eventual renovation, and all the human and legal issues tied to leasing and property management.

In contrast, colleges could follow that pattern of the U.S. military in the late 1990s. Faced with aging buildings, housing shortages, and high maintenance costs, the military turned to the private sector for housing management and construction. The military recognized that housing was not a core competency. Similarly, few colleges have housing as a core competency. Donors who are asked for bailout money should require colleges to assess how the private sector or a college-private partnership can deliver higher quality housing at a lower cost.[26]

Drexel University, for example, has partnered with American Campus Communities to lease and market a number of dormitories. This collaborative relationship includes a joint advisory board. Drexel's motivation for entering this partnership was "to make sure its academic resources were going toward its academic needs, and to increase access and affordability for students."[27] Similarly, the University of Georgia system board of regents engaged the firm Corvias in 2015 to manage thousands of student dorm rooms across nine campuses. Forbes reports that this was the first instance of a state university system privatizing its entire student housing portfolio.[28]

Janitorial services

In 2012, Ohio State University began to award contracts to outside vendors for janitorial services. OSU found competitive pricing as well as greater oversight and efficiency, saving an estimated $2 million annually.[29]

These are just a few areas where privatization, outsourcing, or partnerships can save money and enable a college to focus on its core mission. Donors and boards also should press colleges to consider these options for bookstores, campus security, parking, and other ancillary facilities.

5. Safeguard Free Expression, Open Academic Inquiry—and Donor Intent

A college cannot realize its core mission without letting faculty members and students freely explore any idea, or as Yale University promised in its famous Woodward Report in 1974:

> The primary function of a university is to discover and disseminate knowledge by means of research and teaching. To fulfill this function a free interchange of ideas is necessary not only within its walls but with the world beyond as well. It follows that the university must do everything possible to ensure within it the fullest degree of intellectual freedom. The history of intellectual growth and discovery clearly demonstrates the need for unfettered freedom, the right to think the unthinkable, discuss the unmentionable, and challenge the unchallengeable.[30]

C. Vann Woodward and his colleagues argued not only that free inquiry is central to a university's mission, but also that a university cannot achieve its mission outside of a free society. "Free interchange of ideas" with the outside world is necessary.

To achieve that end, tolerance for the pluralism of American intellectual perspectives and commitments is not just desirable but required. Our First Amendment tradition, ensuring freedoms of speech, expression, association, religion, and petition, is under extreme attack by "cancel culture" not only within university walls but in the world beyond as well. The Foundation for Individual Rights in Education and National Association of Scholars have shown the "persistent abrogation of…intellectual freedom" for decades.[31] If students fail to learn tolerance in college, many Americans now know, they will carry their intolerance into the rest of society.

Therefore, donors asked to help save a college should condition their support on policies and practices along the lines of the Woodward Report or one of The University of Chicago's statements of intellectual liberty in its Kalven Committee Report (1967), Stone Report (2015), and Dean of Students Letter (2016).[32] A commitment to nurturing students' academic development in an environment of open inquiry and free expression is not negotiable at a public university, and private ones have no excuse for avoiding that commitment unless they are so focused on religion and virtue that they have clearly explained the rules for moral formation.

Furthermore, donor intent is at risk if a college or university cannot be trusted to honor such basic commitments as freedom of speech and academic freedom. Donors should avoid giving to colleges that fail to safeguard intellectual freedom and expression. Signs to look for include:

1) Defining health and safety as distinct from the metaphorical harm of "feeling unsafe" because of the expression of an idea; 2) maintaining free speech across the entire campus instead of containing it to a "free speech zone"; 3) securing the right of invited speakers to speak and hearers to listen, while punishing substantial interruptions;[33] and 4) incorporating into mission statements strong language affirming a commitment to free speech without watering it down by claiming a need to balance other interests.

Indeed, donors at all times should think twice about any college that treats intellectual freedoms as unwelcome interference with some other mission like social justice. A secular college cannot be free while maintaining requirements, as many now do, to "demonstrate commitment to diversity," by which virtually none mean intellectual diversity and almost all mean identity politics. Scholar Jonathan Haidt argues that freedom is "incompatible" with a "sacred" agenda of social justice.[34]

In contrast, a policy of campus freedom is consistent with a commitment to improving a free society outside college walls. A college committed to developing tolerance and individual responsibility in adult citizens by means of unfettered teaching, research, and expression is a college that deserves to be saved.

What Next?

A direct word to donors, if we may. Giving wisely to a college or university can be challenging. The emotion of wanting to save an alma mater from bankruptcy can make giving even more hazardous. Before your alma mater comes to you, please consider the guidelines in this paper calmly and objectively. Be ready for the ask. And if a college will not commit to its own sustainability and its contribution to a free society, hold to your donor intent and be ready to walk away.

[1] Trends in College Pricing 2019, The College Board, Published Charges Over Time, at https://research.collegeboard.org/pdf/2019-trendsincp-figs-4a-4b.pdf

[2] Jaison R. Abel, Richard Deitz, and Yaquin Su, "Are Recent College Graduates Finding Good Jobs?" Current Issues in Economics and Finance, Federal Reserve Bank of New York, Vol. 20, No. 1 (2014), at https://www.newyorkfed.org/medialibrary/media/research/%20current_issues/ci20-1.pdf

[3] Richard K. Vedder, Restoring the Promise: Higher Education in America. (2019). Independent Institute.

[4] *Ibid.*

[5] Federal Loans in Current and Constant Dollars Over Time: All Postsecondary Students, Undergraduate Students, and Graduate Students, Trends in Higher Education, The College Board, 2019, at https://trends.collegeboard.org/student-aid/figures-tables/federal-loans-current-constant-dollars-over-time-allpostsecondary-undergraduate-graduate

[6] Benjamin Ginsberg, *The Fall of the Faculty*, New York: Oxford, 2011.

[7] Steve Odland, College Costs Out of Control, *Forbes*, March 24, 2013, at https://www.forbes.com/sites/steveodland/2012/03/24/college-costs-are-soaring/#4efb07311f86

[8] Steve Odland, College Costs Out of Control, *Forbes*, March 24, 2013, at https://www.forbes.com/sites/steveodland/2012/03/24/college-costs-are-soaring/#4efb07311f86

[9] Todd J. Zywicki and Christopher Koopman. (2017). The Changing of the Guard: The Political Economy of Administrative Bloat in American Higher Education, Social Science Research Network, at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2939915

[10] Critical Care: Policy Recommendations to Restore American Higher Education after the 2020 Coronavirus Shutdown, *National Association of Scholars*, April 18, 2020, at https://www.nas.org/reports/critical-care/full-report

[11] Douglas Belkin and Scott Thurm, Deans List: Hiring Spree Fattens College Bureaucracy – And Tuition," *The Wall Street Journal*, December 28, 2012, at https://www.wsj.com/articles/SB10001424127887323316804578161490716042814

[12] Wendy McElroy, Administrative Bloat on Campus: Academia Shrinks, Students Suffer, The James G. Martin Center for Academic Renewal, June 16, 2017, at https://www.jamesgmartin.center/2017/06/administrative-bloat-campus-academia-shrinks-students-suffer/#:~:text=As%20a%20result%2C%20there%20has,trend%E2%80%A6has%20become%20ubiquitous%20in%E2%80%A6

[13] 2019-20 Faculty Compensation Survey Results, American Association of University Professors.

[14] Heidi Ganahl and Lindsey Burke, Leading through the Crisis: How College Regents and Trustees Can Steady the Fiscal Ship, *The Daily Signal*, June 9, 2020, at

https://www.dailysignal.com/2020/06/09/leading-through-the-crisis-how-college-regents-and-trustees-can-steady-the-fiscal-ship/

[15] *Ibid.*

[16] Academic Programming: Program Prioritization, CREDO, at https://www.credohighered.com/services/program-prioritization

[17] Program Prioritization: Evaluation & Decision Rubrics, University of Colorado, Boulder, 2012, at https://www.colorado.edu/prioritization/evaluation-decision-rubrics

[18] Measuring the Most Important Outcomes of Higher Education, at https://www.purdue.edu/newsroom/gallup/

[19] Brandon Busteed and Zac Auter, Gallup-Purdue Index, "Career-Relevant Education Linked to Student Well-Being," February 13, 2018, at https://news.gallup.com/opinion/gallup/226934/career-relevant-education-linked-student.aspx

[20] Neal McCluskey, Do colleges have an edifice complex, an amenities arms race, or both? *The Washington Examiner*, December 21, 2016, at https://www.washingtonexaminer.com/do-colleges-have-an-edifice-complex-an-amenities-arms-race-or-both

[21] Mission and History, https://www.fandm.edu/about/mission-and-history

[22] Meghan Holden, Future of Purdue dining up in the air, *Journal & Courier*, March 4, 2016, at https://www.jconline.com/story/news/college/2016/03/04/future-purdue-dining-up-air/81115810/

[23] Tara Garcia Mathewson, A tough-to-swallow reason college keeps costing more: the price of meal plans, *The Hechinger Report*, January 18, 2017, at https://hechingerreport.org/tough-swallow-reason-college-keeps-costing-price-meal-plans/

[24] Paul Abramson, Large or Small, at Public or Private Schools, Residence Hall Costs Continue to Rise, Living on Campus: College Housing Annual Report (2008). *College Planning & Management*, at file:///C:/Users/burkel/Downloads/CPMHousing2008%20(1).pdf

[25] College Housing Annual Report (2008).

[26] Leonard C. Gilroy, Laura J. Davis, Sarah F. Anzia, and Geoffrey Segal, Privatizing University Housing, Reason Foundation, January, 2007, at https://reason.org/wp-content/uploads/files/deb584b25dbde1aea1d096ee9411f629.pdf

[27] Helen Fang, Universities are Increasingly Asking Private Developers to Build their Student Housing," *Forbes*, June 16, 2017, at https://www.forbes.com/sites/bisnow/2017/06/16/universities-are-increasingly-asking-private-developers-to-build-their-student-housing/#1a8c9b701f32

[28] *Ibid.*

[29] Ally Marotti, Ohio State Hires Outside Companies to Clean Buildings, *The Lantern*, April 21, 2013, at https://www.thelantern.com/2013/04/ohio-state-hires-outside-companies-to-clean-buildings/

[30] Report of the Committee on Freedom of Expression at Yale, https://yalecollege.yale.edu/get-know-yale-college/office-dean/reports/report-committee-freedom-expression-yale

[31] FIRE at thefire.org; Critical Care: Policy Recommendations to Restore American Higher Education after the 2020 Coronavirus Shutdown, *National Association of Scholars*, April 18, 2020, at https://www.nas.org/reports/critical-care/full-report

[32] Jonathan Butcher, How to Protect Free Speech on College Campuses, *The Heritage Foundation*, (2018), at http://thf_media.s3.amazonaws.com/2018/Free%20Speech%20Booklet/2018_04_0166_FreeSpeechBooklet.pdf

[33] *Ibid.*

[34] Two Incompatible Sacred Values in American Universities, at https://hope.econ.duke.edu/file/1885