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To: Soura, ChristianChristianSoura@gov.sc.gov

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Subject: New AEI Research & Recommendations for Containing College Costs

Attachments: image001.emz

Dear Ms. Soura,

My name is Lauren Aronson. I oversee external relations for the education policy studies program at the American Enterprise Institute (AEI). I wanted to introduce myself, as I thought you and your colleagues might find AEI's latest "[Stretching the Higher Education Dollar](#)" research of particular interest. These three papers offer concrete, near-term steps that policymakers and leaders can take to reel in college costs.

1. In "[Addressing the Declining Productivity in Higher Education Using Cost-Effectiveness Analysis](#)" Douglas N. Harris provides a framework that can help college leaders determine which policies and practices provide the most bang for our higher education bucks.
2. In "[Initiatives for Containing the Cost of Higher Education](#)," William F. Massy offers a comprehensive reform agenda for policymakers interested in cost containment.
3. In "[Public Policies, Prices, and Productivity in American Higher Education](#)," Arthur M. Hauptman examines the impact of federal and state policies on the escalating costs and diminishing productivity of higher education, and offers a series of suggestions for federal and state policy reforms.

If you are interested in reading further, I've pasted Andrew's preface below. Also, for your convenience, I can happily send you one-page "fact sheets" that synthesize the findings and recommendations from each paper.

If you have any questions, or would like to be connected with the Andrew or one of the authors, please don't hesitate to reach out. Finally, if one of your colleagues would be interested in this information and you feel comfortable sharing their contact information for future mailings, please let me know.

All the best,
Lauren



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STRETCHING THE HIGHER
EDUCATION DOLLAR



The recent fiscal crisis has brought American higher education to a watershed moment. After decades of expansive growth in enrollments and spending, state budget cuts and damaged endowments have driven double-digit increases in tuition over the past decade. In the wake of significant increases in federal student aid over the past four years, a growing federal deficit suggests that aid programs will be hard-pressed to keep up with the growth in tuition prices. Meanwhile, lackluster employment outcomes for recent college graduates and ballooning student loan debt have created an increasing sense of disillusionment among policymakers and the public alike. More than ever, Americans are questioning whether a college degree is worth the cost of admission.

For their part, most colleges and universities have been reticent to rethink their cost structure—that is, what it actually costs to provide the education they deliver—in light of these fiscal challenges. Instead, they have typically chosen to raise tuition, cut course offerings, even close the door to qualified, tuition-paying students. In an era of declining public support and trust, battenning down the hatches and waiting for sunnier days is not a recipe for regaining public confidence, let alone meeting our human-capital needs.

But the future is not as bleak as it may seem. The stark fiscal challenges facing governments and endowments is forcing forward-thinking higher education leaders and entrepreneurs to reconsider the traditional model and to propose new, lower-cost modes of delivery and credentialing, arguments that resonate less during boom times. The prospect of reinventing higher education through online learning, long dismissed as being of low quality, has been renewed with the emergence of massive open online courses, some of which bear the imprimatur of elite universities.

Elsewhere, some institutions and systems are experimenting with ways for students to earn their degrees more quickly and at a lower price. Even President Obama has chimed in, famously declaring in his 2012 State of the Union address, “Let me put colleges and universities on notice: if you can’t stop tuition from going up, the funding you get from taxpayers will go down.”

To make sense of these developments, AEI’s Education Policy Studies department, along with Kevin Carey of the New America Foundation, commissioned new research from leading academics, journalists, and entrepreneurs on how to do more with less in higher education. The collection of essays was first presented at an August 2012 research conference entitled “Stretching the Higher Education Dollar.” You can find conference drafts of the papers online at www.aei.org/events/2012/08/02/stretching-the-higher-education-dollar/. A revised set of those papers will be released as an edited volume from Harvard Education Press in summer 2013.

This forthcoming volume does a superb job of identifying the barriers to cost containment and the opportunities to fundamentally redefine the cost structure of higher education in the future. But after conversations with stakeholders across the country, we also recognized an appetite for concrete, near-term steps that policymakers and leaders can take to help get control of college costs, as well as clearer data on how higher education revenue and spending have changed over time. To help satisfy these needs, we commissioned three new pieces of research.

In “Addressing the Declining Productivity of Higher Education Using Cost-Effectiveness Analysis,” Douglas N. Harris, associate professor of economics and university endowed chair in public education at Tulane University, takes a rigorous, empirical look at the cost-effectiveness of popular higher education policies and programs. Harris argues that policymakers and school leaders have far more control over productivity than assumed, but tend to lack the requisite information on which strategies will be most productive. Running through an array of these programs and policies—from class-size reductions, to various financial aid programs, to student services—Harris provides a framework that can help college leaders determine which policies and practices provide the most bang for our higher education buck.

In “Initiatives for Containing the Cost of Higher Education,” William F. Massy, professor emeritus and former vice president for business and finance at Stanford University, offers a comprehensive reform agenda for policymakers interested in cost containment. Massy lays out a series of initiatives that, working in tandem, can promote the larger goal of compelling colleges to spend money wisely. Among the individual reforms Massy proposes are creating a national database of cost-containment practices, a “Race to the Top” for college productivity, and process audits for all public institutions. The primary aim, Massy contends, is to help provide the necessary information for a vibrant higher education market in a way that current policymakers and college leaders can get behind.

Finally, in “Public Policies, Prices, and Productivity in American Higher Education,” public policy consultant Arthur M. Hauptman examines the impact of federal and state policies on the escalating costs and diminishing productivity of higher education. After a brief overview of trends over the past 40 years in college tuitions and spending, Hauptman offers a series of suggestions for federal and state policy reforms. Among these are restricting the use of private student loans, pegging tuition at public institutions to a general measure of a family’s ability to pay (such as median family income), and rethinking funding formulas invest more in lower-cost public institutions like community colleges.

We are excited to release these three papers as the concluding part of our Stretching the Higher Education Dollar series. Although the ideas in each are certainly open to discussion, we hope they present an informative and provocative set of actionable recommendations for policymakers and college leaders. For further information on the papers, or with any questions, please visit www.aei.org/policy/education/ or contact Daniel Lautzenheiser at daniel.lautzenheiser@aei.org.

--Andrew P. Kelly
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