



DOLLARS AND SENSE: ASSESSING OKLAHOMA'S PUBLIC UNIVERSITIES

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Executive Summary

In 2012, a majority of recent graduates of Oklahoma universities had student debt, and the average of those debts was \$23,636. If higher education costs are going to be contained and eventually reduced, the key is improved productivity, meaning “doing more with less.”

Unfortunately, it appears Oklahoma has done the opposite. An examination of the teaching faculty at the University of Oklahoma and Oklahoma State University, for example, suggests that a small proportion seems to do most of the work. Large numbers of faculty carry modest teaching loads, yet also have modest research accomplishments. If the bottom 80 percent of the faculty taught as much as the top 20 percent, universities could operate with demonstrably fewer faculty members and reduce tuition costs dramatically.

While valuable gains in savings and productivity can be found by addressing faculty issues, key spending areas such as administrative expenses and bloat must also be examined. Nationally, higher education staffing per student declined about 10 percent from 1999 to 2011, suggesting probable productivity improvements; however, staffing per student rose about five percent in Oklahoma, suggesting probable productivity decline. Most of the staffing increase came in non-faculty areas, likely in administration.

Oklahoma’s seemingly stagnant or falling higher educa-

tion productivity might be excusable if educational quality improvements compensated for it. However, we lack that evidence. Rankings from *U.S. News & World Report* and *Forbes*, as well as other measures such as graduation rates, suggest that no Oklahoma school is particularly distinguished. Neither is Oklahoma a national powerhouse in university research, as reflected in the state’s poor record regarding federal research grants. Indeed, Oklahoma is one of the worst states in the nation in the receipt of federal research funding.

Have universities lost their way, losing sight of their core mission to educate undergraduate students? Are they excessively interested in maximizing the gains to the staff, rather than educating students? Are too many faculty members teaching too few students too little, often in courses on obscure, specialized subjects of little general interest? This study suggests that many areas of higher education in Oklahoma can be improved so as to enhance productivity, efficiency, and accountability.

In keeping with these aims, there is a need for greater transparency in the higher education system. Uniform reporting of personnel data across all Oklahoma state universities in a transparent fashion (e.g., posted on the Internet) would be useful in improving external oversight of university expenditures.

Oklahoma Higher Education in National and Regional Perspective¹

Well over a half-million residents of Oklahoma are graduates of four-year colleges and universities, and several hundred thousand others have had some experience in higher education. In some cases, they attended four-year schools and did not graduate; in other cases, they earned associate degrees or certificates of attendance. This report is

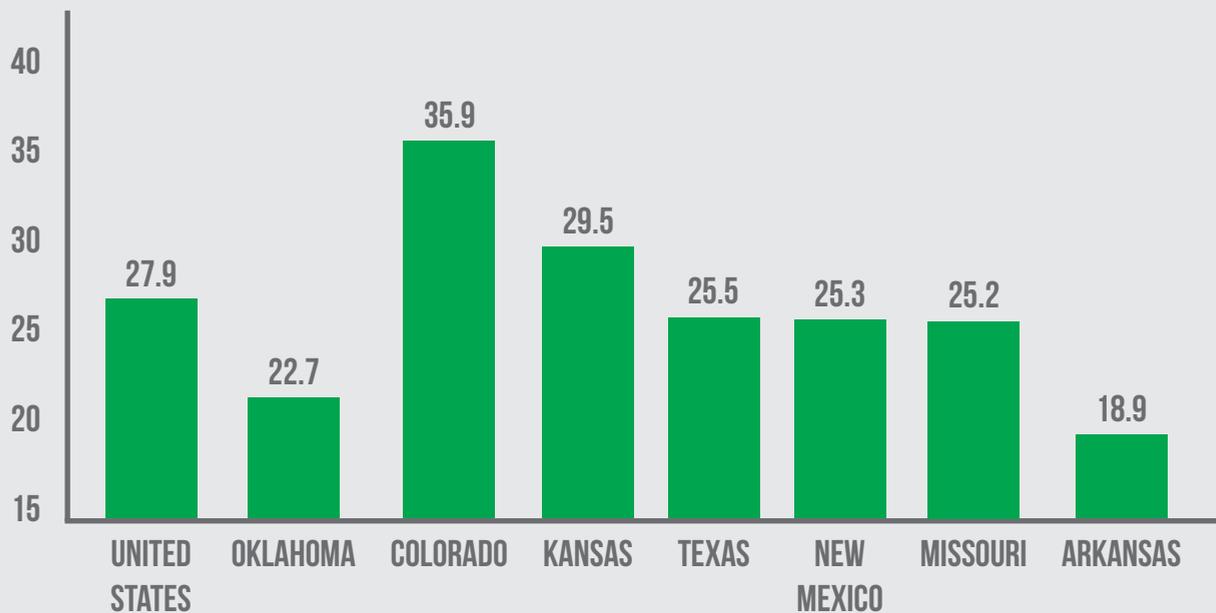
not a comprehensive analysis of higher education in the Sooner State. We analyze resource use at the premier state schools, the University of Oklahoma (OU) and Oklahoma State University (OSU). We largely ignore the smaller public universities in Oklahoma.

To put the state in perspective, Figure 1 shows that Oklahoma falls well

below the national average and five of its six neighbors in the proportion of adults with bachelor’s degrees. Proponents of higher education argue that low attainment correlates with lower labor productivity and economic growth, although considerable room exists to dispute the direction of causation between the two factors.

¹Much of the data in this study come from the National Center for Education Statistics, especially the *Digest of Education Statistics*. Additionally, we have looked at data from the Integrated Post-Secondary Education Data System (IPEDS) of the U.S. Department of Education and National Science Foundation data. Some Census Bureau data, as reported in annual *Statistical Abstracts of the United States*, are also used. Data in the detailed staffing analysis for Oklahoma public universities came, via public record requests, from the University of Oklahoma and Oklahoma State University.

FIGURE 1
PERCENT OF ADULTS WITH BACHELOR'S DEGREES, 2009



SOURCE: U.S. DEPARTMENT OF COMMERCE, *STATISTICAL ABSTRACT OF THE UNITED STATES: 2012-2013*

Moreover, the Sooner State compares even worse with respect to the proportion of adults with advanced degrees (Figure 2). Nationally, 36.7 percent of college graduates (holders of bachelor's degrees) also held advanced degrees; in Oklahoma, the proportion was 32.6 percent. Colorado ranked second in the proportion of adults with degrees, and Oklahoma ranked 43rd. Of course, to graduate from college, you have to graduate high school, so a high level of high school dropouts could explain Oklahoma's status—but it doesn't. Oklahoma was slightly above the national average in the proportion of adults with high school diplomas. Nationally, 32.7 percent of adult high school diploma holders received bachelor's degrees, yet the Sooner State had a much lower 26.5 percent.

State migration can heavily affect university enrollments and degree attainment. Some states, such as New Jersey, have low college enrollments

because of huge net emigration of students for their university training. Others (such as North Dakota) have much larger university enrollments because of net immigration. Oklahoma is an immigration state, with out-of-state students constituting over 20 percent of first-time undergraduate enrollments, compared with about eight percent in Texas. Looking at net migration (taking into account Oklahomans studying in other states), the net immigration of first-year students of 9.5 percent for Oklahoma is very high by national standards, exceeding that of Oklahoma's six neighboring states.

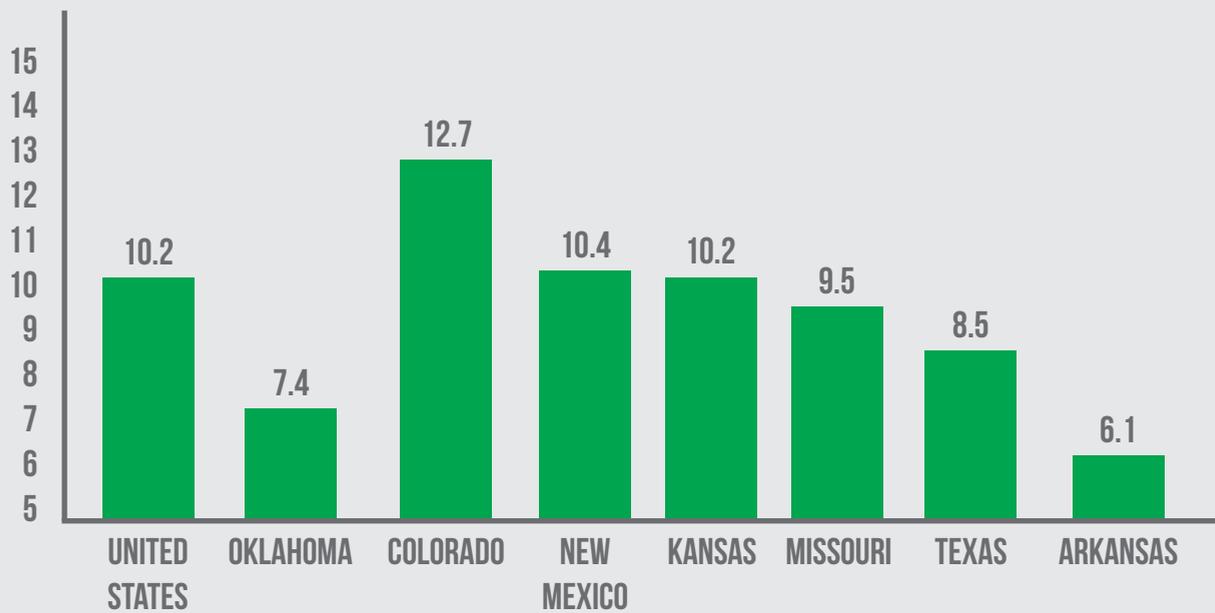
Tuition and Other Fees

High in-migration could reflect either state or university policy decisions regarding student fees. In 2012-2013 Oklahoma was in the bottom 10 states in out-of-state average tuition fees. Part of the reason relates to the fact that in-state tuition fees are com-

paratively low in Oklahoma. But the increment for out-of-state students is much lower in Oklahoma than nationally. In the Sooner State, the average out-of-state student attending public four-year schools paid \$10,761 more than in-state residents in tuition and required fees; nationally, the figure was \$13,777. In several neighboring states the out-of-state surcharge was even smaller than in Oklahoma. Nonetheless, a public policy question arises: Do Oklahoma schools cover the cost of out-of-state students adequately with their surcharges?

With low out-of-state tuition come dramatically lower room and board charges. Oklahoma is one of seven states that had average room charges in public universities under \$4,000 a year. Moreover, in-state tuition increases have been small in recent years compared with other states. In the five years between the 2008-09 and 2013-14 academic years, the University of Okla-

FIGURE 2
PERCENT OF ADULTS WITH ADVANCED DEGREES, 2009



SOURCE: U.S. DEPARTMENT OF COMMERCE, *STATISTICAL ABSTRACT OF THE UNITED STATES: 2012-2013*

homa had the smallest in-state tuition increase of any of the 50 state flagship universities (a four percent increase in inflation-adjusted terms). Excepting Utah and Wyoming, Oklahoma had the lowest in-state total tuition, required fees, and room and board charges at its four-year public universities of any state in the Union in 2012-2013.

Comparatively low tuition fees and significant immigration would lead to robust enrollment growth—or so one would think. Oklahoma’s four-year public schools saw enrollment growth of almost 30 percent between 2000 and 2011, lower than the 34 percent gain nationally. Oklahoma beats surrounding states except Texas (45 percent) and Arkansas (37 percent). Enrollment at OSU-Stillwater grew over 30 percent (from 18,676 to 24,390), faster than OU-Norman, which grew slightly over 12 percent (from 24,205 to 27,138). The pattern was reversed from the 1990s, when enrollment stagnated

at OSU and the University of Central Oklahoma (UCO), but grew at OU. Similarly, UCO has had relatively robust enrollment growth in recent years (reaching 17,101 in 2011).

Private Higher Education

Like its neighbors (except Missouri), Oklahoma relies heavily on public universities. As Figure 3 demonstrates, of students attending not-for-profit institutions, the proportion at private institutions was only one-half of the national average—16.3 percent vs. 32.8 percent. That carries over to for-profit education. Whereas over 10 percent of total four-year college enrollments in the United States in 2010-2011 were in for-profit institutions, they were under four percent in Oklahoma.

While Oklahoma’s public universities dominate higher education, they derive unusually high levels of private support. OU is the 22nd highest endowed public university in the United States

(2012 data), and OSU is 40th. The Oklahoma State Regents for Higher Education likewise has a robust endowment. Most schools with large endowments also have good national reputations. Endowments provide schools resources to buy excellence—good students, great professors, etc. Yet, as we see below, the reputation of the Sooner State’s two premier public institutions is not particularly distinguished.

At a time when resources are limited, is Oklahoma’s small private school presence a function of history and tradition, or has the state made such schools less attractive through public policy? Do significant barriers to entry exist for proprietary schools? We do not address the issue, but it might be worth further exploration.

Measures of Performance

Are Oklahoma public universities any good? Do they do a good job of educating students? This paper relates

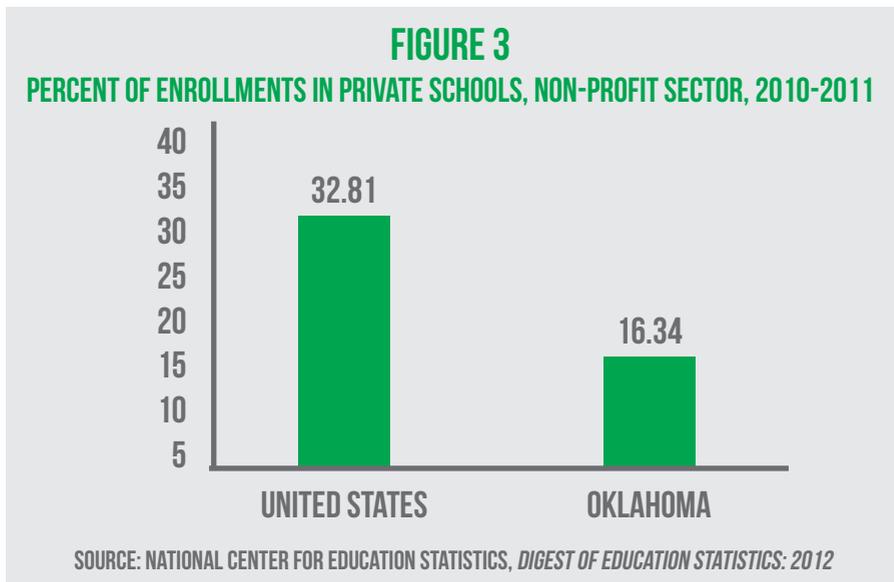
more to use of resources than evaluating outcomes, but some assessment is useful. We compared the two most important public universities (OU and OSU) with flagship or other important institutions in the six surrounding states: Arkansas, Colorado, Kansas, Missouri, New Mexico, and Texas. We looked at two national rankings of universities, the *U.S. News* rankings as well as those of *Forbes*.² *U.S. News* emphasizes reputation amongst academics as well as resources used, whereas *Forbes* focuses on outcomes such as post-graduate earnings, student satisfaction with instructors, etc.

Looking at Table 1, *Forbes* ranks 650 schools in the same ranking, including universities and liberal arts colleges. *U.S. News* ranks a much smaller number, all of them universities. The ranks in the table compare OU and OSU to 12 peer institutions in neighboring states. The rank listed is the average of the *Forbes* and *U.S. News* rankings. OU ranks somewhat above average among the 14 schools at fifth, below the University of Texas, Texas A&M, University of Colorado, and the University of Missouri. OSU ranks a below-average ninth

TABLE 1
COMPOSITE U.S. NEWS/FORBES RANKINGS OF OU, OSU WITH 12 PEER NEIGHBORING SCHOOLS

AVERAGE U.S. NEWS/FORBES RANKING	SCHOOL
1	UNIVERSITY OF TEXAS (AUSTIN)
2	TEXAS A & M
2	UNIVERSITY OF COLORADO
4	UNIVERSITY OF MISSOURI
5	UNIVERSITY OF OKLAHOMA
6	UNIVERSITY OF KANSAS
7	UNIVERSITY OF ARKANSAS
8	COLORADO STATE UNIVERSITY
9	OKLAHOMA STATE UNIVERSITY
10	KANSAS STATE UNIVERSITY
11	UNIVERSITY OF NEW MEXICO
12	UNIVERSITY OF HOUSTON
13	TEXAS TECH UNIVERSITY
14	NEW MEXICO STATE UNIVERSITY

SOURCE: U.S. NEWS, FORBES, AUTHORS' CALCULATIONS



in the composite rankings—below the aforementioned institutions and the University of Kansas, University of Arkansas, and Colorado State University.

Looking at the broader national picture, the two Oklahoma schools would be considered “undistinguished.” *U.S. News* ranks OU 101st and OSU 142nd nationally in a list including many private schools. *Forbes* ranks OU 182nd and OSU 240th in its list of 650—above average, but far from distinguished. The University of Texas, for example, ranks 52nd with *U.S. News* and 66th with *Forbes*. The University of Central Oklahoma (UCO) ranks in the bottom 10 percent of *Forbes*’s ranked schools at 614, not surprising given some other performance data reported below.

Other statistics tend to fit with the suggestion that Oklahoma public higher education is not particularly distinguished. The four-year graduation rate at OU and OSU for the cohort entering in 2006 was 34 percent. For every student graduating in the advertised four years, almost two did not. The six-year graduation rate was slightly above the national average (62 percent), but hardly praiseworthy. Of those entering in 2006 that did graduate, 45 percent took more than the advertised four years. An interesting public policy question is: Why? Far more disturbing,

however, are the numbers for the University of Central Oklahoma. There, the four-year graduation rate is an extraordinarily low 10 percent, and the six-year rate is an abysmal 32 percent. For every student entering UCO in 2006 and who had graduated by 2012, there were more than two dropouts. Why are taxpayers in Oklahoma subsidizing an institution where the success rate appears so low?

National statistics show that large portions of recent graduates fail to obtain relatively high-skilled, well-paying jobs. We have more than 115,000 janitors with bachelor’s degrees, for example. Between 2006 and 2012, for both males and females, the national earnings differentials for college graduates relative to high school diploma holders fell in absolute dollars, fairly sharply in the case of males. Given this accumulating evidence, a good case can be made that we should reduce our higher education investment. In that environment, how does one justify the public subsidization of schools like UCO where dropout rates are so high? At the minimum, should there be more rigorous admission requirements at UCO? Should school funding be determined by graduation rates instead of enrollments?

²Full disclosure: Our research organization, the Center for College Affordability and Productivity, conducted the rankings for *Forbes*.

Research

Oklahoma is not a national powerhouse in university research. In 2010, neither OU nor OSU ranked in the top 100 universities in federal grants received, even combining the health professions grants at OU with other university grants. OU and OSU ranked well below peer schools such as Texas, Texas A&M, and the University of Colorado, and moderately behind others such as the University of Missouri and the University of Kansas.

The “club” of America’s top research universities is called the Association of American Universities, a group of slightly more than 60 schools. No Oklahoma school is a member, but five other schools on our peer list belong: Texas A&M and the universities of Colorado, Kansas, Missouri, and Texas.

The mediocre reputation that Oklahoma commands in the national research community is reflected in the state’s poor record regarding federal research grants. Table 2 shows that Oklahoma received less in the way of university research grants than any surrounding state. Its grants per capita amount was less than one-third the national average, and less than one-third of Colorado, Missouri, and New Mexico. Evaluating evidence on a per-student basis, the same pattern holds. While nationally and in Colorado, New Mexico, Missouri, and Texas there was roughly \$4,000 in federal grants per student, in Oklahoma, the amount was an astonishing 70 percent less. Oklahoma is one of the worst states in the Union in the receipt of federal research funding.

Post-Graduate Earnings of Students

There are limited but interesting data on earnings of graduates of schools collected by PayScale.com. Average earnings are given for recent (one to four years after graduation) and mid-career (10 to 19 years after graduation) graduates. The data are self-reported, and represent a limited, non-random sample of graduates, clearly less desirable than a full representation of the population.

Oklahoma State’s graduates on av-

TABLE 2
FEDERAL RESEARCH GRANTS TO UNIVERSITIES, FISCAL YEAR 2010

STATE	GRANTS PER CAPITA	GRANTS PER FTE STUDENT
ARKANSAS	\$33.36	\$1,257.10
COLORADO	110.35	4,134.24
KANSAS	69.56	2,355.06
MISSOURI	106.74	5,283.82
NEW MEXICO	100.09	3,948.02
OKLAHOMA	32.74	1,198.63
TEXAS	65.06	3,231.64
UNITED STATES	99.98	4,651.74

SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS, NATIONAL SCIENCE FOUNDATION, AUTHORS' CALCULATIONS

TABLE 3
PAYSCALE.COM EARNINGS DATA, RECENT, MID-CAREER GRADUATES, OU, OSU, PEER UNIVERSITIES

RANK	SCHOOL	1-4 YEARS GRADUATE EARNINGS	RANK	10-19 YEARS GRADUATE EARNINGS
1.	TEXAS A&M	\$55,697	2	\$90,529
2.	U. OF HOUSTON	52,884	6	79,696
3.	U. OF TEXAS (AUSTIN)	51,374	1	93,068
4.	TEXAS TECH	50,968	9	77,108
5.	NEW MEXICO STATE	50,274	5	79,901
6.	OKLAHOMA STATE	50,212	4	80,068
7.	U. OF COLORADO	49,876	3	87,030
8.	U. OF OKLAHOMA	49,768	7	78,360
9.	COLORADO STATE	48,779	10	75,296
10.	U. OF ARKANSAS	48,685	12	75,134
11.	U. OF NEW MEXICO	48,121	11	75,282
12.	KANSAS STATE	47,546	14	73,371
13.	U. OF KANSAS	46,190	8	77,202
14.	U. OF MISSOURI	44,644	13	75,123

SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS, DIGEST OF EDUCATION STATISTICS: 2012, AND AUTHORS' CALCULATIONS

erage did somewhat better financially than those of OU. Neither school was exceptionally good or bad, with OSU somewhat above average among the schools in neighboring states, with OU right around the average. The Texas schools fared the best generally, with Texas and Texas A&M at the top. The Oklahoma schools, however, consistently did better than such peers as the universities of Arkansas and Missouri as well as Kansas State University. We suspect the relative good standing of the Texas schools reflects the general boom in the past decade in the Texas economy, which may reflect other factors (e.g., the absence of an income tax in Texas) as much or more than the quality of the education training.

Spending by Schools

How do Oklahoma schools compare with peer institutions in surrounding states and nationally with respect to higher education spending, adjusting for enrollments? In Table 4, we look at expenditures per full-time equivalent student for 2010-2011. Spending per student in Oklahoma is 13.2 percent below the national average, and below spending in Arkansas, Colorado, New Mexico, and Texas, but above spending in Kansas and Missouri. Four of the other states received \$2,000 to \$4,000 more than the Sooner State in federal research grants per student, and thus should have spent a good deal more per student. When we adjust for that, Oklahoma spent noticeably more per student than Colorado, and a great deal more than Kansas and Missouri, but less than Arkansas, Texas, and New Mexico.

One can argue that total spending is not an appropriate measure, owing to differences in commercial or other non-academic activities between schools and states—auxiliary operations like dormitories and food operations, intercollegiate athletics, federally funded research projects or centers, etc. Instructional spending, then, might be a better measure of core activity, which is presented in Table 5. First, note that the numbers are vastly smaller—instructional spending consumes a small

TABLE 4
SPENDING PER FULL-TIME EQUIVALENT STUDENT, STATE UNIVERSITIES, 2010-2011

STATE	EXPENDITURES PER FTE STUDENT
UNITED STATES	\$36,430
OKLAHOMA	31,607
ARKANSAS	38,006
COLORADO	32,150
KANSAS	27,803
MISSOURI	29,700
NEW MEXICO	49,505
TEXAS	48,558

SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS, *DIGEST OF EDUCATION STATISTICS: 2012*, AND AUTHORS' CALCULATIONS

TABLE 5
INSTRUCTIONAL SPENDING PER FTE STUDENT, 2010-2011

STATE	INSTRUCTIONAL SPENDING PER FTE STUDENT
UNITED STATES	\$ 9,133
OKLAHOMA	8,564
ARKANSAS	7,245
COLORADO	8,693
KANSAS	7,834
MISSOURI	7,411
NEW MEXICO	7,723
TEXAS	10,151

SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS, *DIGEST OF EDUCATION STATISTICS: 2012*, AND AUTHORS' CALCULATIONS

minority of total spending at most universities. Second, note that differences between the states are relatively modest, with only Texas outside the range of \$7,245 to \$8,693 per student. Third, in some states (e.g., Missouri, Colorado), average tuition fees (including in- and out-of-state fees) are more than schools spend on instruction per student. What are state subsidies and private donations used for? In Oklahoma, spending per student on instruction probably does exceed the average

amount of tuition revenue collected per student. One might ask: Why is instructional spending per student lower by 10 percent or more in Arkansas, Missouri, and New Mexico than Oklahoma? Has higher spending in the Sooner State brought about better outcomes?

Staffing

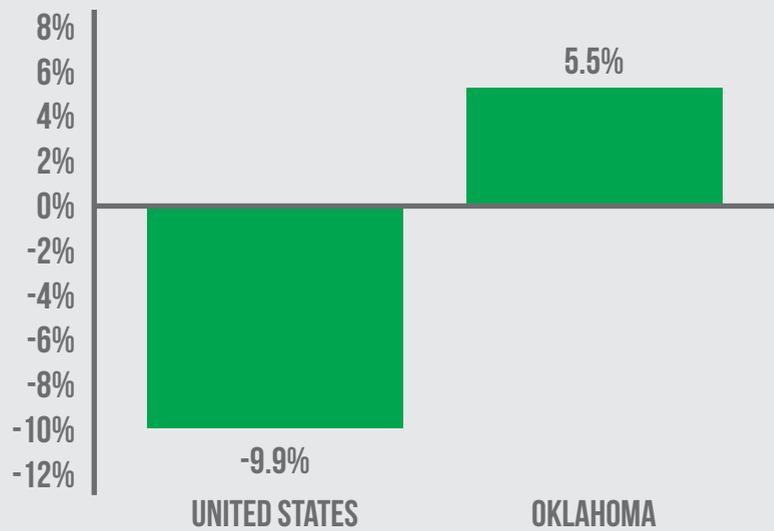
An examination of statewide data for public four-year colleges and universities shows that Oklahoma has somewhat higher staffing levels than the

national average, adjusting for enrollment, although close to the average for faculty (Table 6). Oklahoma has over 10 percent more non-faculty staff than the national average, adjusting for enrollments. That is all the more concerning given the low level of federal research participation by Oklahoma schools, an involvement that requires faculty and non-faculty staff (lab technicians, research assistants, grant administrators, etc.). In Oklahoma, for every full-time-equivalent faculty member, there are 2.53 non-faculty staff members; nationally, there are only 2.30. There has been a strong sense that the bureaucracies in universities nationally are excessively large and rapidly growing.³ The data suggest that, if anything, the problem may be even worse in Oklahoma.

The bottom line is very simple: Nationally, staffing per student declined about 10 percent from 1999 to 2011, suggesting probable productivity improvements; however, staffing per student rose about five percent in Oklahoma, suggesting probable productivity decline. Most of the staffing increase came in non-faculty areas, likely in administration (Figure 4). In 1999, Oklahoma used fewer staff (in an enrollment-adjusted sense) than the national average; today, it uses a good deal more. That is not explainable by massive growth in federal research grants to Oklahoma schools.

Neither OU nor OSU lists employees by job title on its website, but it is clear that administrative staffs are large. At OU, more than 60 employees fall in the category of “central development staff” and “college program development officers.” The provost’s office has 13 people listed, with six assistant or vice provosts. Not to be outdone, OSU has a provost, an associate provost, an assistant provost, an “executive assistant to the provost,” an “assistant to the provost,” two “administrative assistants to the assistant provosts,” and a couple others in the provost’s office.

FIGURE 4
PERCENT CHANGE, FTE STAFF PER FTE STUDENT, 4 YEAR-PUBLIC UNIVERSITIES, 1999-2011



SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS, *DIGEST OF EDUCATION STATISTICS, 2001 AND 2012*

TABLE 6
FTE STAFF PER 100 STUDENTS, 4-YEAR PUBLICS: FACULTY, NON-FACULTY, TOTAL, 2011

STATE	TOTAL STAFF	FACULTY	NON-FACULTY	FACULTY AS % OF TOTAL
ARKANSAS	21.77	6.05	15.72	27.8%
COLORADO	22.06	10.38	11.68	47.0
KANSAS	22.69	9.08	13.61	32.8
MISSOURI	25.06	7.56	17.50	30.2
NEW MEXICO	27.89	7.48	20.41	26.8
OKLAHOMA	23.44	6.64	16.80	28.3
TEXAS	22.55	6.25	19.30	24.4
UNITED STATES	21.86	6.62	15.24	30.3

SOURCE: NATIONAL CENTER FOR EDUCATION STATISTICS, *DIGEST OF EDUCATION STATISTICS: 2012*, AND AUTHORS' CALCULATIONS

³See, for example, Benjamin Ginsburg, *The Fall of the Faculty: The Rise of the All-Administrative University and Why It Matters* (Oxford, U.K. and New York: Oxford University Press, 2011).

Staffing at Oklahoma's Public Universities: Issues

Problems of Data Analysis: Issues of Transparency and Uniformity

The authors had some difficulty in performing a detailed analysis of staff involved in teaching at the University of Oklahoma and, even more so, Oklahoma State University. Getting data by public record requests took a long time period. Persons listed as "faculty" often did other things with part or most of their time, starting with OU President David Boren. There are also some differences with the way OU and OSU presented information. At OU each professor who taught, say, a single student in an independent study project was considered to have taught a certain number of credit hours, very often three. So some professors with, say, six separate students studying independently would be recorded as having 18 credit hours of teaching, but that is quite different from a professor teaching six different classrooms of students. Thus evaluating the time commitment of professors on teaching is difficult.

Some very highly paid individuals probably earned their salaries in part from performing non-instructional and even non-research-related activities. President Boren is a good example—part of his compensation is attributable to teaching, but the reality is he earns the bulk of his salary by serving as the chief executive officer of OU. Therefore, some considerable caution must be exercised in interpreting the results. This study does not address the non-instructional-staff spending problem, which appears (on the basis of the results presented above) to be at least as great as that associated with instruc-

tional spending. Uniform reporting of personnel data across all Oklahoma state universities in a transparent fashion (e.g., posted on the Internet) would be useful in improving external oversight of university expenditures.

Whom Do Oklahoma Universities Serve? Student Costs and How Faculty Use Their Time

There is a tendency for universities to emphasize activities of interest to their own staff while neglecting the interests of students. The highest-paid professors are rarely those with the best teaching reputations or those shouldering the largest teaching loads. Incentive systems reward research, and thus faculty push for low teaching loads. Yet, raising teaching loads and reducing the size of the instructional faculty has the potential to cut costs to students dramatically.

Consider the financial condition of students attending Oklahoma's universities. In 2012, a majority of recent graduates of Oklahoma universities had student debt, and the average of those debts was \$23,636, although the figure exceeded \$26,000 at the main campus of OU in Norman.⁴ Yet a significant number of Oklahomans owed more debt than the average—perhaps \$40,000, \$50,000, or more. College costs were a high burden on those students. The analysis below will show that costs of educating Oklahoma's students could be lowered substantially if more of the faculty were as low cost as the lowest cost 20 percent (as measured by instructional cost per student credit hour).

Three things determined instruc-

tional costs per student: the number of classes taught by professors, the average number of students per class, and the average salary of each professor/instructor. Lowering instructional costs requires one or more of the following:

1. Each professor teaches more classes and teaching loads increase;
2. Class sizes are increased—fewer classes with fewer than 10 students, more with 25 or more;
3. Faculty salaries are lowered.

While faculty members traditionally oppose all three options, if forced to choose, most would probably prefer to teach more students, either by teaching more classes or by teaching more students per class. Moreover, national labor markets for professors largely determine pay levels, so the option of reducing pay is not likely a viable option, and, indeed, might be illegal for tenured professors.

One approach to lowering instructional costs is increasing the proportion of teaching done by adjunct faculty—those on part-time contracts, those without a long-term contractual arrangement with the university, and graduate teaching assistants. They tend to have high teaching loads and relatively low salaries. In recent decades, hiring "contingent faculty," or adjuncts, has been an increasingly popular method for controlling costs. From 1975 to 2011, national full-time tenured or tenure-track positions increased 26 percent, but part-time positions increased 300 percent.⁵ Nation-

⁴Project on Student Debt, Class of 2012, http://projectonstudentdebt.org/state_by_state-view2013.php?area=OK.

⁵John W. Curtis and Saranna Thornton, "Here's the News: The Annual Report on the Economic Status of the Profession," Association of American University Professors, *Academe*, March-April 2013, <http://www.aaup.org/file/2012-13Economic-Status-Report.pdf>.

ally, adjuncts comprise slightly more than 40 percent of total instructional staff.⁶ Both OU and OSU came in well under that figure during the 2011-2012 academic year; adjuncts comprise about 23 percent of total faculty at OU and 15 percent at OSU.⁷ While the extensive use of adjuncts can lower costs, there are trade-offs involved, and some research suggests that non-permanent

faculty offer a less satisfactory instructional experience for the students, and arguably some reduction in the quality of educational life in the university community.

The major argument against increasing teaching loads (via more and/or larger classes) is that it detracts from the university research mission. As indicated earlier, Oklahoma does not do

a large amount of externally funded research, and the staffing data for OU suggest that only 15 percent of the faculty actually receive external research funding. There is a plethora of literature, moreover, that shows that much published research is seldom read and even more rarely cited.⁸ On cost-benefit grounds, more research is probably of questionable value.

Possible Savings from Expanded Teaching from the Faculty

Teaching Loads Vary Enormously

Although there are some problems with the data (as indicated above), they should be reasonably accurate in conveying some forms of information. In particular, we asked: are there some teachers who teach vastly more than others? An analysis of credit hours at the two premier institutions shows the answer is definitely yes. At OSU, the 20 percent of faculty teaching the greatest number of credit hours taught 54.49 percent of the total. The bottom 40 percent taught fewer than 10 percent of credit hours. Again, part of this might reflect some faculty performing administrative or other tasks that detract from their teaching. But the top one-fifth of the teaching staff teaches more than the other four-fifths combined. If the top 20 percent, representing well over 300 professors and other instructors, can successfully provide a majority of OSU's instruction, the question arises: are many of the large number of professors with low teaching loads earning their salaries, particularly given the institution's modest level of success in obtaining external research funding?

The picture at OU is even more dra-

matic. Student credit hours per instructor average a very low 143. Assuming students typically take three-credit-hour courses, there are about 48 students per professor per year, or 24 per semester. Again, because of the inclusion of part-time faculty, that probably understates typical teaching loads, but it suggests that there are either a lot of small classes, or teachers have low teaching loads, or a combination of both. Moreover, at OU the disparities in teaching loads are huge—even greater than at OSU. The top 20 percent of professors by teaching loads teach 60 percent of the total—averaging well over 400 credit hours each—implying nearly 140 students taught annually assuming three-credit-hour courses. A relatively small number (505) of the faculty do most of the teaching, while another 2,018 listed as having instructional responsibilities do far less of the total classroom teaching.

University of Oklahoma: Additional Evidence

As indicated above, the cost of instruction depends on teaching loads, class size, and faculty salaries. Combining all three factors, we obtain a

“cost per student credit hour” for each member of the instructional staff. At OU, there were 2,523 reported instructional staff in 2012. Collectively they were paid \$182,318,993—an average of \$72,263 for each faculty member. Some of those faculty members were probably part-time teachers.

We identified the 505, or 20 percent, of these faculty members whose cost per student credit hour were the lowest, reflecting large classes, large teaching loads (teaching many classes), and/or low salaries. We then asked the question: what if the other 2,018 faculty taught at the same cost as these “most productive” or “most efficient” 505? What would have been spent on instruction for the actual number of student credit hours generated? Implied in this exercise is the idea that the school could reduce the size of its instructional staff substantially. What, however, would have been the reduction in instructional costs? The answer: \$100 million (actually, \$99.577 million). That is an amount equal to well over \$3,000 per student. Alternatively, if that \$100 million were used for a reduction in the Oklahoma income tax, it would allow the state to lower rates by about

⁶Ibid.

⁷The following data concerning adjunct faculty, salary levels, and credit hours were obtained from OU and OSU through public record requests.

⁸See, for example, “Literary Research: Costs and Impact,” Washington, D.C.: Center for College Affordability and Productivity, November 2011, accessible at http://centerforcollegeaffordability.org/uploads/Literary_Research_Bauerlein.pdf.

three percent (not three percentage points)—and that is before considering other institutions.

Perhaps more realistically, let us assume that the entire faculty at OU was twice as costly (on a student credit hour basis) as the top 20 percent. Even in that circumstance, the savings in terms of instructional cost would be \$53.3 million—close to \$2,000 per student. In other words, there are tremendous variations in student credit hour costs between faculty members, costs that the students ultimately cover through tuition. If the school were to lower instructional costs per student hour by a combination of increased teaching loads, larger classes, and, perhaps less realistically, lower salaries, major savings could be obtained.

Oklahoma State University

Let us repeat the analysis in the previous three paragraphs for OSU. OSU is a somewhat smaller institution, with total instructional costs almost 30 percent less than at OU. Nonetheless, the disparities in student credit hour costs are, if anything, greater at OSU. We estimate that if all faculty members had student credit hour costs equal to those of the lowest 20 percent, the school could save almost \$82 million on staffing costs, roughly \$3,000 per student. With \$82 million, the university could reduce tuition fees by over one-third. If OU and OSU simultaneously achieved the maximum savings outlined (all faculty emulating the top 20 percent in terms of costs per student credit hour), total savings in the state would exceed \$181 million—enough to give every taxpayer in the State of Oklahoma well over a five percent income-tax reduction; alternatively, it would be possible to lower tuition fees dramatically. Expanding this to all state universities would almost certainly increase the number.

Suppose we make a less rigid assumption: suppose all faculty at OSU were twice as costly (per student credit

hour) as the lowest cost 20 percent. Potentially, savings still exceed \$60 million (\$60.877 million). For the two top schools, savings under this assumption total \$114 million.

Would not a move to achieve that objective jeopardize OU's and OSU's research mission? It is important to remember that of the non-adjunct faculty, about 15 percent at OU generated all external research grants in fiscal year 2012.⁹ Put differently, 85 percent of the faculty received no external research funding. The top 10 percent of faculty in terms of grants generated 96 percent of all external research grants. The small proportion of faculty receiving grants isn't surprising. For instance, a CCAP study on faculty productivity at the University of Texas, Austin, reported that 20 percent of the faculty received 99.8 percent of the research grant funds.¹⁰ The number will fluctuate depending on an institution's focus on teaching or research, which should be remembered when making comparisons. But OU and OSU are not, despite any claims to the contrary, major institutions regarding externally funded research. Lowering instructional costs via higher teaching loads and/or larger classes could achieve material results even if those receiving external research funding were excluded from new teaching rules.

Caveats and Qualifications

The major purpose of this exercise is to suggest that big dollars are involved in supporting faculty members who have relatively high costs per student credit hour, either because they teach little, have small classes, or in some cases, are paid huge sums of money. We identified literally dozens of employees at OU and OSU paid very large salaries, say, more than \$250,000 a year. For some, the compensation levels seemed to us extremely high given their qualifications and/or observable contributions to their institution.

Have universities lost their way, los-

ing sight of their core mission to educate undergraduate students? Are they excessively interested in maximizing the gains to the staff, rather than educating students? Are too many faculty members teaching too few students too little, often in courses on obscure, specialized subjects of little general interest? The goal is to focus attention on those questions and suggest that the financial consequences of current academic practices are substantial.

In one sense, we think the analysis above understates the problem. As indicated earlier, for every dollar spent on instruction, there are at least two dollars spent on other things. University bureaucracies have soared in size nationally, and it appears that is happening in Oklahoma as well. What if the ratio of non-instructional staff to faculty had not increased from, say, 1975 to the present? How much savings would have been derived? Some examinations of national data suggest the numbers are substantial, and we have no reason to doubt that is true in Oklahoma.

All that said, however, we urge extreme caution in accepting the numbers above literally and uncritically. There are substantial issues regarding the data, which were not as well detailed as we would have liked. There were significant shortcomings in the provision of data by the universities themselves. Although not unique, Oklahoma's universities have been deficient in data transparency—the gathering and timely reporting of data in a uniform, consistent fashion. For example, there is likely a problem arising because employees are not defined in full-time-equivalent (FTE) terms, and many apparently low-productivity faculty members might spend most of their time on non-instructional projects or even working for non-university employers. Even the definition of “student credit hour” appears to be somewhat murky, and that potentially poses significant distortions in the derivation of accurate results.

⁹Data on external research grants came from the OU Office of Research Services at <http://ors.ou.edu/about/MonthlyReport.asp>. The one-year example used in this study should not be taken as exhaustive, but only as a sample.

¹⁰Richard Vedder, Christopher Matgouranis, and Jonathan Robe, “Faculty Productivity and Costs at the University of Texas at Austin: A Preliminary Analysis,” http://www.centerforcollegeaffordability.org/uploads/Faculty_Productivity_UT-Austin_report.pdf.

Institutional Hubris and the Academic Arms Race: The Case of Finance

At both OU and OSU, there were several very highly paid persons in the Finance department. The question arises: why does Oklahoma need two Ph.D. programs in finance, located just 80 miles apart? This is an extremely expensive area for instruction, and there are many states with zero or one such program. Demand for Ph.D. degrees in finance amongst native Oklahomans undoubtedly is small, and OSU's program lists just 10 Ph.D. students on its website. OU lists only 9. It is doubtful the two departments together have as many as 10 native Oklahomans in their Ph.D. programs. Yet these universities collectively spend literally millions supporting these departments.

Are these programs leaders in their

field nationally and internationally, bestowing lots of prestige on Oklahoma? The most comprehensive assessment of finance departments that we know of is compiled by Arizona State University, and is based on faculty publications in top finance journals. Neither school ranked in the top 60 in the U.S., with OU finishing 77th in the world ranking, and 62nd among American schools. Its faculty had a total, over more than two decades, of 31 articles in top-flight journals—averaging a little over one a year for the entire faculty. Yet OU far outdistanced OSU, which did not even make the top 100 U.S. schools, and ranked a mediocre 165th in the world. It had a grand total of nine published papers in top-flight journals.

In rankings done by *Bloomberg Business Week* for the U.S., OU ranked a paltry 115th, and OSU was not ranked at all. Looking more broadly at business schools (which finance departments are part of), OSU beats OU, but neither is in the top 100 schools—OSU is 111th and OU is 114th.

Question: why are both schools pouring huge sums into trying to develop excellence in graduate finance education? Given the high costs, questionable student demand, and, at best, apparently so-so results, why not eliminate at least one program? Can the Sooner State afford such expensive duplication of low-demand programs?

Conclusions: Lessons to Be Learned and Questions to Ask

Oklahoma higher education has become increasingly costly, and staff overload has led to less productivity than a decade ago. The key to containing and reducing costs is improved productivity, meaning “doing more with less.” Yet Oklahoma has done the opposite. While productivity in the entire economy has risen (and possibly

even somewhat in higher education), Oklahoma has avoided this trend. An enormous expansion of externally funded research conceivably could have impacted productivity, but Oklahoma remains a minor player in that regard, with neither major school advancing dramatically in that direction.

An examination of staffing at OU and

OSU adds some insight, particularly regarding the teaching faculty. A small proportion seems to do most of the work. Large numbers of faculty carry modest teaching loads and modest research accomplishments. If the bottom 80 percent of the faculty taught as much as the top 20 percent, the school could operate with demonstrably few-

er faculty members and reduce tuition fees and/or state appropriations. That could allow Oklahoma to achieve other growth objectives such as lower income taxes to compete with the state's powerful no-income-tax neighbor, Texas.

Oklahoma's seemingly stagnant or falling higher education productivity might be excusable if educational quality improvements compensated for it. However, we lack that evidence. The undistinguished record regarding federally funded research is matched by lukewarm external appraisals of overall quality. Oklahoma's spending per student, while below the national average, is similar to a majority of neighboring states, particularly if we account for the extremely low level of federal research support. It does not appear that Oklahoma graduates fare much differently on average than those at similar nearby public institutions.

What should be done? It is not the role of the authors of this report, both non-Oklahomans, to say. Oklahomans must make that determination. Leading figures in the state, notably OU President David Boren, have publicly called for increased state support. Yet from our reading of the situation, it seems clear that the higher education

system needs greater external scrutiny. Some states have moved to performance-based funding formulas. Oklahoma has announced intentions to move in this direction, but the efforts to date appear to be very modest.

Here are a few ideas that might enhance productivity, efficiency, and accountability. Perhaps implicit state instructional subsidies should be sharply reduced for fifth- and sixth-year students. Funding perhaps should be based on the number of graduates rather than the number of attendees. Perhaps the state should start collecting, reporting, and aggressively marketing data on earnings of recent graduates (by field of study) still living in Oklahoma. Several states are now publishing such data, using government-provided data at the state level. That could assist students, university administrators, and policymakers in assessing the costs and benefits of a state university education. Maybe the state should flatly prohibit duplicative high-cost programs, as discussed above. Perhaps the state should insist key administrators, especially the presidents of OU and OSU, be compensated at least in part on a performance-based model like that used for Purdue University President Mitch Daniels.

A state commission on higher education, perhaps modeled loosely on the federal Spellings Commission of a few years ago, might be a good idea, tasked with assessing the state of universities, community colleges, and the coordination between K-12 and higher education. Such a commission would ideally include as members and/or key staffers out-of-state experts with no "skin in the game" regarding any recommendations, in addition to leaders of Oklahoma's business and professional communities. In any case, the legislative and executive branches of the state government of Oklahoma should give enhanced attention to higher education in the Sooner State.

Concern over spending levels in Oklahoma higher education, however, should not exclusively pinpoint faculty for large savings. While valuable gains in savings and productivity can be found by addressing faculty issues, key spending areas such as administrative spending and bloat must also be examined.

In any case, this study suggests that many areas of higher education in Oklahoma can be modified and improved for the benefit of students and the public at large.



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