

Here today, gone tomorrow

University of Illinois administrators do a double-back flip.

Once again, the community learns sunshine is the best disinfectant.

On May 2, The News-Gazette reported the details of a little-known but expensive contract with a management consulting firm, not exactly welcome news in the midst of the current belt-tightening. Three days later, after faculty members complained about the controversial expenditure, UI administrators pulled the plug on the plan.

University of Illinois spokeswoman Robin Kaler said that after an administrative review top campus officials decided that it was "appropriate to end" the project. UI officials previously had argued it was appropriate to continue it until June 2011 at the cost of another \$450,000 on top of the nearly \$1.3 million already spent.

This is but another example of why it is

important for the public to have access to information about how public institutions operate.

The original contract was negotiated by former UI Provost Linda Katehi, who had worked with consulting firm Renewal & Transformation Group of Kokomo, Ind., while she was at Purdue.

The firm works with university administrators to develop team-building and leadership skills. It sounds like a lot of managerial gobbledegook, but there may be something to it. That Katehi thought well of it and that some UI administrators defended it lends credence to the notion that it was valuable.

Nonetheless, given the current economic hard times, consulting agreements like this are unaffordable. The UI did the right thing in pulling the plug, although it should have done so before the controversy and not after. If there are other similar arrangements not yet disclosed, those, too, should be jettisoned.

UNIVERSITY OF ILLINOIS

Graduate College gets good review

By PAUL WOOD

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URBANA — A team assigned to look for efficiencies in the University of Illinois Graduate College found the unit essentially working as expected.

Fifteen teams were created in February to look at mostly smaller units at the university, to see whether consolidations or other measures could save money in hard times for the Urbana campus.

The eight-member team of professors, researchers and students was asked:

“Does our institution need a Graduate College? Can the functions be provided adequately and possibly more efficiently by the individual colleges? How are our peer institutions organized in this respect?”

Unanimously, the team said, “our institution definitely needs a Graduate College. The Graduate College plays a vital role in almost every aspect of graduate student

life.”

The complete report is at http://oc.illinois.edu/budget/grad_college_project_team_report.pdf.

The benign report contrasts somewhat with an earlier report on the Institute of Aviation, which questioned the necessity of some programs there, and a report on information technology that found potentially more than \$10 million in savings through new software, dumb terminals and outsourcing.

David Irwin, a psychology professor who chaired the team, declined to comment Friday.

Campus spokeswoman Robin Kaler has said in the past the UI won't speak on the reports until comments have been gathered from the UI community.

That comment period ends May 20.

The team did find some areas where improvement might be made.

“Our review uncovered

some serious coordination problems between the Office of the Registrar and the Graduate College in the area of Academic Services. These need to be addressed and (depending on the solution) could conceivably result in financial savings,” the report said.

It said that with those two offices, there is some overlap of functions in academic services, with a need for improved communication and coordination.

The team did not recommend moving the functions of the Graduate College Career Services Office out of the Graduate College, or consolidating or redistributing the services, as interim Chancellor Robert Easter and Vice Provost Richard Wheeler had charged them to investigate.

Nor did it recommend that the functions of the office of Educational Equity Programs be moved out of the Graduate College.



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Convention at UIS to star former governors

By **BERNARD SCHOENBURG** (bernard.schoenburg@sj-r.com)

THE STATE JOURNAL-REGISTER

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Four former governors will headline a national political science convention to be held June 3-5 at the University of Illinois Springfield.

Except for an evening banquet, all events are free and open to the public.

Included is a round-table discussion to be presented from 8 to 10 p.m. June 3 at the Old Capitol State Historic Site. Featured will be former governors Jim Edgar of Illinois and Bob Taft of Ohio, both Republicans, and Democrats Madeleine Kunin of Vermont and Parris Glendening of Maryland.

This is the first time that the State Politics and Policy Conference, sanctioned by the Washington-based American Political Science Association, will be held in Illinois. Last year, the University of North Carolina at Chapel Hill and Duke University co-sponsored the event. Next year, it will be at Dartmouth College.

Chris Mooney of UIS, professor of political science with the U of I's Institute of Government and Public Affairs, said holding the 10th annual conference at the Springfield campus is a "major boost to the prestige and national standing of UIS."

"It's great," he said. "It's national recognition in an area where we really excel."

Mooney and Barbara Ferrara, associate director of the Center for State Policy and Leadership at UIS, are co-chairing the conference. At least 150 participants are expected.

Mooney, who came to UIS in 1999, was founding editor of State Politics & Policy Quarterly, the official journal for that area of study within the APSA. The kickoff conference for that journal a decade ago at Texas A&M University was "so successful that everybody said (they) wanted to do it every year," he said.

Panel discussions at the Springfield conference will cover such topics as the linkage between public opinion and public policy; explaining state spending; federalism; governors and policymaking; legislative reform; and gay rights policy in the states.

A preliminary program lists a panel on the afternoon of June 4 on the topic: "How can political scientists contribute to politics and government? Four views from statehouse reporters." The panel chair is Charlie Wheeler, director of the Public Affairs Reporting program at UIS, and panelists are David Yepsen, director of the Paul Simon Public Policy Institute at Southern Illinois University; Mike Lawrence, former director of that institute; and Peggy Boyer Long, former editor of Illinois Issues magazine. All four panelists have extensive experience reporting on government and politics.

Mooney said the cost of hosting the conference, not including some non-cash help, is about \$50,000, but the money does not come from state appropriations. Instead, the meeting is supported by corporate sponsors, various university-related units and the national political science group.

The website for the conference, www.sppc2010.org, shows backing from groups including UIS, its Center for State Policy and Leadership and its College of Public Affairs and Administration; the U of I's Institute of Government and Public Affairs; and the Abraham Lincoln Presidential Library and Museum.

Alan Ehrenhalt, director of information for Pew Center on the States and former editor of Governing magazine, will speak at the June 4 banquet, which is open only to conference registrants. His topic will be "Governors: Success and Failure."

Ironically, that's the day after former Illinois Gov. Rod Blagojevich is scheduled to go to trial in Chicago on corruption charges.

Bernard Schoenburg can be reached at 788-1-540.

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GUEST COMMENTARY

More action and less posturing key to fixing budget crisis

By REP. BILL BLACK

I read with incredulity the recent op ed piece in a Chicago newspaper from my colleague, Rep. Jack Franks, which laid out a simple solution to Illinois' budget crisis — just say no to spending. I agree wholeheartedly with his suggestion. However, I believe my Democratic friend left out a few details. I respect Rep. Franks and consider him a friend, but I have some basic issues with his statements.

We are facing a \$13 billion budget deficit and owe our health care providers, social service agencies and schools nearly \$6 billion. In my district, the Vermilion County Health Department has been forced to cut half of its workforce and slash programs because the state owes it more than \$500,000. Most every community based service provider in my district has cut services and laid off personnel.

How did we get to this point? Since 2003, when the Democrats took control of state government, general fund spending has increased by more than \$4 billion. The state's bonded debt has tripled to more than \$18 billion. Because of health care expansion under former Governor Rod Blagojevich, Illinois' Medicaid costs have more than doubled to \$10 billion, consuming one-third of the state's budget.

Over the past two years, House Republicans have offered numerous budget reform measures to cut waste and fundamentally change the way we spend taxpayer money. From Pay as You Go (PAYGO) to Medicaid and welfare reform, our budget ideas have been shot down by the Democrats who control the House.

I have repeatedly asked my colleagues why we have yet to spend one minute on the House floor discussing how we're going to dig ourselves out of this budget hole. I have made motion after motion to discharge Republican budget reform bills from the House Rules Committee so that they may be voted upon by the Illinois House of Representatives.

And every single time, Rep. Franks has sided with Speaker Madigan to keep our bills from even being debated upon by the Illinois House. His record stands in sharp contrast to his words. For example:

— Rep. Franks voted three times against our PAYGO proposal, which would require any legislation with a fiscal impact to identify cuts within the budget or new revenue to offset the spending increase (HB 3189, HB 6269).

— He twice voted against a

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Balanced Budget Declaration (HB 4095).

— He twice voted against our tax amnesty plan which would generate more than \$100 million (HB 4622, HB 4662).

— He voted against an Appropriations Sunshine Act, which would require a seven-

day review period before any budget vote (HB 6626).

— He voted against a 3/5ths supermajority requirement for any tax increase (HJRCA 28).

— He voted against Medicaid Income Verification (HB 5240).

— And Rep. Franks voted against my proposal to sell the state fleet of executive

aircraft (HB 4800).

Let me say that I don't take my Democratic friend's votes personally. I continue to hold out hope that Democrats and Republicans will work together to get our fiscal house in order.

But some legislators sound insincere when they say that we have to cut spending — and then vote against

a repeal of Rod Blagojevich's free rides for seniors program.

HB 4654 would require means testing to keep the free rides program for seniors on fixed incomes while saving the state millions of dollars.

We must get spending under control before we consider asking the taxpayers for more of their hard-earned money. As Rep. Franks said, "We won't get out of trouble unless Gov. Pat Quinn and Illinois legislators have the courage to put a stop to the unchecked spending that got us where we are today."

To that I will only add that we need more action and less political posturing to truly solve our budget crisis. The people of Illinois want solutions, not empty rhetoric.

State Rep. William B. Black of Danville is the Deputy Republican Leader of the Illinois House of Representatives.

Ex-legislator: Sluggish state hurting cities

Most cities in Illinois are facing a financial crunch, said Rick Winkel, a former state senator now working as an adjunct professor of law at the University of Illinois and director of the Office of Public Leadership at the Institute of Government and Public Affairs.

Based on his conversations with mayors and city managers, Winkel said, "The problem involves shortfalls in revenues and the need to contain expenditures."

He said one issue is slow payment of state revenues.

"Many cities are three payments behind from the state for income tax," Winkel said. "Moreover, sales tax revenues are way down — so much so that some city administrators are double-checking the numbers and wonder if the state might be sending ... partial payments."

Winkel said unfunded mandates and increases in pension costs plague city governments. The state has routinely increased pension costs and "saddled cities with the bill," he said.

"I would, nonetheless, predict that cities will not raise property taxes," Winkel said. "Taxpayers are in no mood to (vote) for increases or to re-elect officials who try to raise taxes."

Cities try to balance budgets by cutting costs, including hiring freezes, delayed maintenance, restricted purchasing and travel, equipment cutbacks, staff reductions, furloughs and early retirement incentives, according to Winkel.

"Cities that have used these strategies diligently in recognition of the economic downturn and fall-off of revenues are much better posi-

tioned to weather the storm than those cities who refuse to manage their budgets and blithely continue spending unchecked while hoping for the best," he said. "If trends continue in a prolonged recession, I believe that it could threaten some with financial insolvency."

Larry Frang, director of the Illinois Municipal League, said that organization has not collected any data, but he has observed, anecdotally, that cities are faced with making tough decisions for budgets that take effect May 1.

"The only way to balance budgets when there are deficits is to cut services or raise revenues or a combination thereof," Frang said.

Statewide, revenues for cities have been declining for about 15 months, he said. Even if revenues improve after a few months, it will be difficult to make up for the losses that have been accumulating.

"Very few people expect revenues to increase," Frang said.

The Illinois Policy Institute, a research group with offices in Springfield and Chicago advocating free market principles and government accountability, said some case studies have shown ways cities can improve services while cutting costs.

Brian Costin, director of outreach for the institute, said it is important for municipal governments to be open in their budget processes.

"Use transparency and look at all government expenses from the citizens' point of view," Costin said.

STEVE BAUER

The News-Gazette

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Special vote bill wrong way to go

Sun, 05/09/2010 - 9:26am | [The News-Gazette](#)

Our legislators continue to fiddle while Rome burns.

Illinois legislators, especially relatively new ones, go to Springfield with the idea of passing bills and spending taxpayers' money on favored projects.

So it's no great surprise that state Sen. Michael Frerichs, a Champaign Democrat, is pushing legislation that would provide special voting privileges for one of his core constituent group, university students. Unfortunately, his legislation forces higher costs on local governments. Considering that the state is essentially broke and that almost every other unit of government in Illinois is struggling to make ends meet, the timing is terrible.

There's also the problem of the legislation itself. It's simply not needed.

Frerichs' bill, which has been substantially modified from its first draft, would require county clerks in four university counties, including Champaign County, to extend special voting privileges to students. They would be recipients of a special grace period to register and vote and afforded early voting privileges on campus.

County clerks, not surprisingly, oppose what they have characterized as a costly mandate, and they have an excellent point.

Frerichs has dismissed the cost argument, but he contends that this legislation is needed to make it more convenient for the affected students to vote. He further contends that it will help establish the good civic habit of voting among young people.

Frerichs' assertion about forming good habits is attractive, although speculative and largely irrelevant.

College students are young adults, but they are adults nonetheless. They have the same opportunity to register and vote as everyone else.

It's not hard to register to vote. People do it every day at all kinds of places. Transportation surely cannot be an issue. Students have cars, friends with cars, access to bus service. They have legs to walk, bikes to ride and thumbs to use to hitch a ride. They simply don't need special help to vote, particularly now that early voting procedures give everyone several weeks to cast their ballots.

The legislation is addressed to students at a four schools, [the UI](#), Southern Illinois University in Carbondale, Northern Illinois University in DeKalb and Lewis & Clark Community College in Godfrey. Not only are the schools selected on a purely arbitrary basis, but the services that are contemplated represent an unaffordable and unnecessary luxury in the midst of hard times.

There's one more thing about the bill that people should know. The legislation was initially passed April 15 by a 31-20 vote. But after Republicans asked for a vote-by-vote verification, it turned out that two members of the Senate recorded as voting yes were not present.

Obviously, someone else voted for them, and their votes were cancelled. Such are the disgraceful abuses of process in which our elected representatives engage.

Frerichs arranged a second vote for his bill on April 28, and it passed without any funny business the second times around. Now it's pending in the Illinois House, where state Rep. Chapin Rose, a Mahomet Republican, has signed on as a sponsor, simply to kill it. Obviously, there is considerable gamesmanship at play here.

But politics aside, what's the real point of legislation like this? Special treatment for select groups is rarely good policy. The legislation pushes an unfunded mandate on four county clerks initially, but Frerichs obviously has statewide expansion in mind.

Surely, there are better things legislators can do with their time. Spending money Illinois does not have on legislation that people don't need doesn't serve anyone's needs, regardless of how enthusiastic some legislators are to pass something – perhaps anything – while in Springfield.

ILLINOIS STATE UNIVERSITY

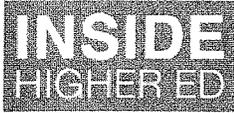
Trustees approve tuition increase

NORMAL (AP) — Illinois State University students starting school next fall will pay tuition that's 9 percent higher than that charged this year's new students.

ISU trustees on Friday raised tuition to \$301 a credit hour on Friday. The cost for

a 15-hour semester class load would be \$4,515. State law guarantees students pay the same rate for their first four years of school.

Trustees also raised housing rates by 3.2 percent. A dorm room will now cost from \$4,326 to \$7,798.



Views

Unknown and Unaccountable

May 10, 2010

By Pablo Eisenberg

There are over 1,500 private foundations that support public universities and colleges in this country. Their collective assets are enormous – 25 have endowments of at least \$1 billion each. Yet little is known about them. Journalists, with few exceptions, rarely bother to find out how they support their universities and colleges.

What we do know is that many are not transparent and publicly accountable; allocate substantial funds to supplement CEO and senior administrators' salaries and benefits; provide superfluous benefits unrelated to academics such as country club memberships, leased cars, housing allowances, housekeepers, spousal travel, lawn care and other perks to coaches and administrators; engage in self-dealing relationships with their trustees and university regents; and pay their executives high salaries.

In difficult financial times, when state support of higher education is being cut, tuition costs are rapidly rising and financial aid for needy students is declining, such expenditures are increasingly hard to justify. That is why parents, public officials, students and the general public have the right to know what is going on in these institutions.

Jack Gould, the coordinator of Common Cause in Nebraska, has been monitoring the work of the University of Nebraska Foundation for almost a decade. His efforts to make the foundation more transparent and accountable have led to added pressure by the media and state legislators for greater disclosure by the foundation. As a result, we learned that in 2009 the foundation provided free country club memberships to at least 51 university administrators and athletic department employees and 81 leased cars to coaches and top administrators. In defending these perks, according to *The Lincoln Journal Star*, Joel Pedersen, legal counsel for the University of Nebraska, said that about 200 of the 250 public universities in the country offer similar vehicle allowances.

The Nebraska foundation provides the Nebraska president with most of his perks and a growing amount of his salary, including a 19.3 percent increase in 2008. It also gives the president a \$700,000 discretionary fund every year.

In 2003, also in Nebraska, the Peru State College foundation made a secret deal with the Peru State College president to give him \$455,572 in deferred payments if the president agreed to continue in his position for five additional years. This transaction was never reported to the state, a violation of the law for which the president was fined all of \$1,200.

In California, Sonoma State University's foundation made a \$1 million loan to a board member. The most recent California State University scandal occurred a few weeks ago at the Stanislaus campus where the Stanislaus foundation refused to reveal how much it was paying Sarah Palin to speak at a fundraiser and to divulge the names of the donors to the event. The foundation claimed that its charity status exempted it from the state disclosure laws. Several state legislators have introduced a bill that would bring public university foundations under the state record rules.

The University of Georgia Foundation was the focus of intensive investigative reporting by *The Atlanta Journal Constitution* in 2003-4. The paper also found that half of the University of Georgia trustees were connected to firms that had done more than \$30 million in business with the foundation since 2000. The trustees never revealed a conflict of interest or recused themselves from such decisions.

And the list of questionable activities could go on and on. What is clear is that much of what is happening at these public college foundations is the result of a lack of transparency, strict guidelines and oversight.

Reporters, regents, and the public should be asking these foundations and their boards some tough questions, including:

1. What expenditures did the foundation make during the year, including cash and in-kind contributions to the CEO, administrators, coaches and faculty?
2. Were any building contracts or services provided to the university, eg., fund-raising, legal, etc., from foundation funds tied in any way to firms with which foundation board members or university regents had relationships? How much money was involved?
3. What were the salaries and benefits paid to foundation staff?
4. What contributions were made to a president's discretionary fund, and what expenditures were made from this fund?
5. What percentage of the money distributed by the foundation went to student scholarships and academic programs?
6. How much money did the foundation give to the university's athletic programs?
7. What reporting requirements are demanded from these foundations by their boards, the universities and colleges and the state regents, legislatures and governments?

In short, we need a much more accurate profile of this vast universe of private foundations: their assets, their priorities and programs, the activities they support and the extent to which their boards and state regents are holding them accountable.

Should this huge network of foundations be permitted to operate as private institutions supporting but not a part of public universities and colleges, and therefore immune from the latter's transparency and accountability requirements? Or should they be absorbed into public universities and colleges as fund-raising entities subject to state regulations? If one could start from scratch, one could easily make the case that the second alternative would be in the best interest of taxpayers and the public. The entrenched nature of these foundations and political realities, however, would probably doom any such radical restructuring of the system.

But state legislatures, with major public support, should demand that these private foundations are publicly accountable, free of self-dealing and no longer the incubator of special perks for administrators and athletic departments. The Internal Revenue Service should alter its regulations and practices to make certain that these foundations serve the public and the universities and colleges they are supposed to support. It's a challenging task, but the time to begin is now.

Pablo Eisenberg is a senior fellow at the Georgetown Public Policy Institute and a columnist for The Chronicle of Philanthropy.

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News

Colleges as Potential Tax Targets

May 10, 2010

The Internal Revenue Service is focusing mostly on issues related to executive compensation and payment (or non-payment) of tax on unrelated business income in more than 30 reviews it is conducting of individual colleges and universities, the agency said Friday, as it released the preliminary results of its survey of 400 institutions.

The interim report issued Friday offered the first official look at the information the federal tax agency has collected from a wide-ranging questionnaire it sent to colleges in 2008 to gauge their compliance with tax laws and identify possible areas for further examination (and enforcement, of course). The IRS focused on higher education (following a similar questionnaire it sent to hospitals), the agency said, because "colleges and universities make up one of the largest nonprofit segments in terms of revenue and assets" -- and that status has made it a target for members of Congress and others in the federal government at a time of ever-tightening federal budgets.

Two higher education groups, the Association of Governing Boards of Universities and Colleges and the National Association of College and University Business Officers, collected a subset of the colleges' responses to offer a preview of the findings last fall.

The IRS's interim report includes data for a total of 344 colleges, 177 private and 167 public. Several dozen of the original recipients of the questionnaire were excluded because they offered only two-year degrees or were not tax exempt, and 11 institutions that responded to the survey were omitted from the report because they submitted questionnaires on behalf of their entire university systems; information about them will be part of the IRS's final report, which will be released later.

The IRS broke the 344 respondents into several categories: 159 small colleges (139 private and 20 public), 94 medium-sized institutions (30 private and 64 public) and 91 large universities (8 private and 83 public).

Of the major areas on which the IRS sought to gather information in the questionnaire, the agency seemed least captivated by what it learned about tuitions and endowments. The survey included a significant number of questions on endowments, particularly -- including size of the funds, breakdowns of the areas in which colleges were investing (stocks vs. alternative investments, U.S. vs. international assets, etc.), spending rates, etc.

But many of the "findings" seemed obvious, at least to those who follow higher education closely: "Not all students pay the full amount of the annual full-time [tuition] rate published by the college or university because of financial aid or other discounts"; "most colleges and universities reported adopting and meeting their target spending rate," and the rates "were similar (approximately 5%) throughout the size categories." And the sections of the report on endowments and tuitions identified no areas that the IRS intended to scrutinize more closely in the narrower examinations of individual campuses.

The story was different, though, when it came to unrelated business income, where colleges' survey responses most seemed to concern the IRS. Nonprofit entities are required to pay tax on income they receive from revenues that are deemed unrelated to their charitable purpose -- education, in the case of postsecondary institutions. As colleges have become more complex financially and increasingly turned to sources other than students, states (for public colleges) and donors (for private institutions), unrelated business income tax, or UBIT, has become a topic of greater interest and scrutiny for the government.

The information the IRS gathered that most appeared to intrigue its officials is found in the table below, which compares the

proportions of colleges that said they had engaged in certain types of commercial activities with the proportion that said they had reported engaging in taxable activity in those areas in the 990-T forms they had filed in 2006.

The IRS acknowledges that colleges may engage in some seemingly commercial activities without generating taxable revenue from them, when "an activity is conducted exclusively for the exempt purpose of the organization," for example, "for a bookstore that only sells books and supplies to students."

But the wide differences in some of the categories -- for instance, 23 percent of small colleges and 82 percent of large ones reported engaging in advertising activity, while just 6 percent of small institutions and 53 percent of large ones reported advertising income on their tax forms -- clearly caught the eye of the agency. "This is an area for further study for the IRS," the report says ominously, noting specifically that it would examine issues related to "expense allocation, losses, and debt-financed property."

Types of Commercial Activity and How Colleges Reported to IRS and on Their Tax Forms

Activity	Small Institutions		Medium-Sized Institutions		Large Institutions	
	Reported Activity to IRS	Reported Activity on 990-T	Reported Activity to IRS	Reported Activity on 990-T	Reported Activity to IRs	Reported Activity on 990-T
Advertising	23%	6%	54%	21%	82%	53%
Facility Rental	57%	11%	83%	22%	95%	41%
Arena Rental	4%	<2%	26%	11%	42%	16%
Recreation Center Usage	14%	7%	38%	13%	65%	32%
Athletic Facilities Usage	26%	5%	48%	10%	60%	13%
Personal Property Rental	9%	2%	21%	7%	43%	14%
Telecommunications Related Rental	9%	3%	21%	7%	56%	19%
Catalog Sales	<3%	<2%	10%	5%	19%	4%
Internet Sales	6%	2%	18%	4%	37%	10%
Travel Tours	6%	2%	14%	5%	35%	11%
Exclusive Use Contracts	6%	<2%	35%	3%	43%	4%
Commercial Research	3%	2%	13%	3%	25%	5%
Patents	3%	<2%	20%	<3%	41%	<3%
Intellectual Property	2%	<2%	10%	<3%	34%	<3%
Hotel Operation	3%	3%	7%	5%	25%	11%
Conference Center Operation	6%	6%	20%	12%	43%	15%
Restaurant Operation	2%	2%	11%	4%	34%	4%
Catering Services	19%	7%	37%	14%	48%	16%
Food Services	43%	2%	61%	6%	70%	7%
Parking Lots	16%	2%	52%	5%	76%	23%
Bookstore	53%	7%	57%	7%	63%	21%

Income from Controlled Organizations	6%	3%	14%	<3%	13%	3%
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Source: Internal Revenue Service

Compensation of colleges' leaders and other highly paid employees was another realm in which the information gathered in the questionnaire seemed to intrigue, and potentially trouble, the IRS.

Among the findings that the agency's interim report highlighted and, in some cases, suggested warranted further examination:

- More than a third of large universities and nearly half of small colleges said they had not used a process -- known as "rebuttable presumption" -- for setting the compensation of their top officials that would ensure they would be exempt from IRS rules designed to guard against excessive compensation. Under tax law, it is normally up to a nonprofit institution to prove that it is paying its executives appropriately. But if a nonprofit institution follows the elements of the rebuttable presumption procedure, which requires a review by uninvolved members of the governing board after considering comparable data and other evidence related to a salary decision, the burden of proof shifts to the IRS to show that an institution has awarded excessive compensation.
- A significant minority of institutions, in setting compensation levels for senior employees, did not use independent surveys that compared their own compensation levels to other institutions. "[T]his is an area of continued focus for the IRS," the report noted.
- Sports coaches were the highest paid employees at 43 percent of the large universities in the sample.
- Several small and medium-sized colleges said they had given loans to senior leaders whose terms were not documented in writing.
- Twenty-one percent of large institutions reported that at least one of their five highest-paid employees received compensation from a related organization (foundation, athletic association, etc.).

Other areas that the IRS said it would examine going forward were: "the use of and relationship with controlled entities and related organizations; the reported differences in treatment by organizations of various activities as exempt or unrelated and of cost allocation practices across activities and related organizations"; and "the reporting of losses from certain exempt and unrelated activities."

— Doug Lederman

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News

Methodology Change for Ph.D. Rankings

May 10, 2010

The National Research Council -- responding to criticism it received in the internal peer review of its forthcoming doctoral program rankings -- is changing the methodology in a few key places for the long-awaited project.

The changes -- which are not yet final -- are likely to divide the main ranking of each program into two separate rankings -- one based on explicit faculty determinations of which criteria matter in given disciplines, and one based on implicit criteria. Further, the council is likely to release ranges of ratings for a 90 percent "confidence level," not the confidence level target of 50 percent that was in the methodology released last year.

The use of confidence levels means that instead of saying that a given program is the second or eighth or 20th best, the council will instead say that a given program is in a certain range. By raising the confidence level to 90 percent, instead of saying that there is a 50 percent chance that a program is between 20th and 26th, the council will say (to use that hypothetical) that there is a 90 percent chance that a program is between the 15th and 35th best in the nation -- resulting in much broader ranges for the rankings.

The additional changes in methodology -- which was theoretically released in final form in July -- suggest that further delays are likely for the rankings. NRC officials have for about a year now stopped answering questions about the timing of the release, although the ratings are still expected in 2010.

Many graduate program directors and deans are increasingly frustrated by the timing of the project. Data collection for the project (whatever methodology changes are used) started in 2006, with an original schedule for releasing the rankings in 2007. Many programs note that the departure or arrival of a few faculty members who are skilled at landing grants means that some programs may have changed significantly in the years that passed. Further, with many universities looking at trimming graduate programs, some of those who run stellar but threatened programs have been hoping that the NRC rankings would bolster their defenses.

The NRC has not formally announced that it is changing the methodology. But Jeremiah P. Ostriker, chair of the committee overseeing the project and a professor of astronomy at Princeton University, described for *Inside Higher Ed* the changes that he said are "likely" but not yet certain.

On the question of the ranges to be reported, Ostriker said that the committee has long wanted to avoid the "spurious precision problem" of previous rankings in implying certainty that a given program is a precise number in relation to all others. Given the way programs change constantly, imperfections in information and averages, and a range of other factors, Ostriker said the rankings will be "more accurate" for being presented as a range, and not as a single figure. He noted that "commercial" ranking efforts tend to give a single number, "but that's no excuse for us making the error."

While the idea of giving ranges was part of the methodology released last year, he said that the peer review comments for the rankings (and outside comments) have led him and other committee members to question the idea of giving a range that provides only a 50 percent confidence level, meaning there is also a 50 percent chance that the program is somewhere outside of that range. Peer reviewers found it "confusing" to offer that low a confidence level, so the idea is to increase it to 90 percent, which will have the effect of expanding the range of possibilities.

Ostriker acknowledged that this change will make it more difficult for people to pinpoint exactly where a program stands. But he said

that's because it is impossible to do so in any accurate way. "We wanted more honesty and more data and we wanted to be honest about the true uncertainties in rankings," he said. "We hope it doesn't make people unhappy, but if that does make people unhappy, they will need to get used to it."

The other major change likely to be made before the release of the rankings is a division into two of the overall rankings of departments. (There are also subcategory rankings being released on areas such as the student experience.) The overall rankings are based on what Ostriker called "explicit" and "implicit" faculty weights on what matters in departments.

So faculty in various disciplines were asked to weight the relative importance of such factors as average number of faculty publications per capita, average citations per publication, percentage of faculty holding grants, publications and so forth. The idea is that some factors (such as landing grants) are more important in some disciplines than others, with science disciplines focusing more on grants and some humanities disciplines valuing books as a sign of scholarly eminence, for instance.

The explicit ranking was based on figuring out how a discipline values the various factors and then punching in the data for individual departments, weighted by disciplinary priorities. For the implicit ranking, the faculty members were asked to rank departmental quality in their disciplines, institution by institution. Then the NRC worked backwards to see which characteristics could be attributed to highly ranked departments. And then those weights were applied, department by department, for a ranking that was to be averaged with the explicit ranking.

Now, Ostriker said, two separate overall rankings -- one based on the explicit calculation and one on the implicit calculation -- will be released (each with ranges). He said that peer reviewers felt that more information was provided this way than by merging the two figures.

The main difference between the explicit and implicit rankings, Ostriker said, is that while faculty members don't identify program size as a major factor to evaluate, the implicit rankings suggest that faculty members value size. So, generally, larger programs will fare better in the implicit ranking.

Ostriker said he realized some people might just average the two rankings together, but said that the NRC believed it would be more accurate to release two rankings (in addition to the subcategory rankings) than one.

He declined to say when the advisory committee would finalize the methodology changes or approve the release of the rankings. When the then-final methodology was released in July, the rankings were expected to follow within a few months -- and that schedule was already far behind earlier projections.

How the changes will go over with graduate educators is unclear. Several contacted by *Inside Higher Ed* (some of whom regularly e-mail us to ask that we pester the NRC about timing since they don't want to offend those doing the rankings) said they were surprised by methodology changes at such a late date and that they wished the project could be wrapped up already.

David Shulenburg, vice president of academic affairs at the Association of Public and Land-Grant Universities, said that he didn't think the expanded ranges or the divided main ranking would be troublesome to many universities. He said that graduate programs improve "a single thing at a time" so that departments gain more by comparing their raw data on various issues than focusing on an overall ranking. "It's healthier for us to decide which issues are most important" rather than relying on an overall ranking, he said.

The issue Shulenburg said is more problematic is the passage of time without release of the rankings. "It clearly would have been much more valuable with current data," he said. "It's going to be older. People will use what they have, but there have been changes" in many departments, he said.

Robert Morse, who directs college ratings at *U.S. News & World Report* (including a graduate program ranking each year), said he also saw serious credibility problems with basing rankings on information that "is getting old and stale."

U.S. News primarily uses "peer evaluations" for graduate school rankings (in essence surveying faculty members on what they think of other programs) although more complicated formulas are used in some fields. Morse acknowledged that critics call his magazine's formula "simplistic," but he questioned whether the NRC was going too far in the opposite direction.

"They seem to be trying to produce something so sophisticated and complicated and nuanced that they think will give it credibility in the marketplace. I just wonder whether anyone's going to understand it," Morse said. "Do you need a Ph.D. to understand it? If you can't understand it, I just wonder whether it's going to be accepted."

— Scott Jaschik