

HEAM 650, Spring 2022
Finance and Budgeting in Higher Education
Monday, 6:00-8:35 PM
Via Zoom

Course Syllabus—Version 1.0

Contact Information

Instructor: Robert Kelchen, professor and ELPS department head

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Student appointments: By request (virtual or in-person)

Course Description

This course examines the foundations of higher education finance and budgeting. We will discuss institutional budgeting practices, revenue and expenditure patterns, students' costs and benefits from higher education, and the public policy landscape regarding student and institutional funding. By the end of the semester, students will be expected to have a solid understanding of higher education finance that will help them develop as scholars of postsecondary education.

Course Expectations

University policies: Students are expected to know and adhere to all relevant UTK policies, including those listed in the [Graduate Catalog](#) and the [ELPS Graduate Student Handbook](#). This includes policies about academic integrity, maintaining satisfactory academic process, and registration.

Communications: I will use both Canvas and e-mail to communicate important course messages. E-mails will be sent to your UTK account so I can guarantee that they are received. I typically respond to student e-mails within 48 hours; if the message is urgent and you have not received a response acknowledging receipt, please send your message again.

Attendance and class participation: There is no formal attendance requirement for this class, but it will be exceedingly difficult to master the course concepts (and do well in the class) without regularly attending. Please let me know in advance of any absences if at all possible and work with your classmates to stay current in the class. It is crucial to be an active participant in this class. I ask that you keep your cameras on as much as possible, and it's perfectly fine if family members or pets pop in the background if you're comfortable with that. This class works best with lively, civil discussions that encompass a range of diverse perspectives.

A note on readings: This course has a rather high reading load, and there are quite a few dense empirical papers included in the reading list. (There is no assigned textbook.) While I do expect you to consume the information in each reading, the art of skimming many of the readings (focusing on the key points) becomes crucial. This does not mean that you skip the methods sections and anything that looks technical every time, though—as being effective producers of research is a key goal of this program. If you have any questions about how to read the articles in an effective way, please let me know as skimming is an acquired skill.

Student concerns: Please feel comfortable bringing any concerns about the course to my attention, as I value frank and honest feedback. I promise to do my best to address any concerns and will keep your feedback confidential and separate from your grades. If you are uncomfortable providing feedback to me due to my position as department head, you can reach out to Dr. McCoy (associate department head) or Dean McIntyre (my direct supervisor).

Services: Please contact Disability Services (<https://sds.utk.edu/>) if you have any need for accommodations or additional services to be successful in this class.

Course Evaluation and Assignments

Analyzing a budget: The first assignment of the semester is to analyze a budget of a college or university of your choosing (the only restriction is that you cannot choose UTK). Make sure to choose an institution that has several years of budget documents publicly available. The assignment has the following components:

- Revenues and expenditures. For the most recent year available (which should be no earlier than Fiscal Year 2020), summarize the key revenue and expenditure types. For example, how much money comes from tuition revenue, state funding, donations, or sponsored research? How much money is spent on salaries, instruction, or facilities costs? Do any of the key revenue and expenditure categories surprise you, and why?
- Budget trends. Going back at least five years, what are the trends in revenues, expenditures, and endowments (if applicable)? Which categories have changed the most or least over time?
- Fiscal stability. Does your institution appear to be fiscally stable or not? What could the institution do in order to place itself on a better financial footing, or are no actions necessary?
- “Readability” of budget. Is the institution’s budget easy to comprehend? Are additional documents or summaries provided to help with interpretation? Were there key questions that were not answered in either the budget or supporting materials, and do you have recommendations for improvement?

This assignment will be worth **30%** of your final grade and is due **Friday, March 11 at 6 PM** via Canvas. The completed assignment must be no more than four pages of single-spaced text (12-point Times New Roman) and four tables/figures and be well-written.

Article review and leading class discussion: A key competency of successful Ph.D. students is to be critical consumers and producers of high-quality empirical research. One way to develop that skill is by thoughtfully engaging with cutting-edge research. To build this skill, the second assignment in this class is to pick an eligible course reading (marked with * in the reading list below) and to complete the following requirements:

- Write an analytic review of the article (of approximately 800-1,200 words) that includes a brief summary of the data/methods and findings, strengths and weaknesses, and recommendations for future research. This is due via Canvas on Friday at 6 PM before the Monday of class.
- Lead a 30-45 minute discussion of the article and the broad topic underlying that research. The choice of how you wish to lead the discussion is yours, and I am happy to meet with you in advance to provide feedback.

There will be a sign-up process for articles no later than the second week of class. There will be a maximum of two articles covered in this manner in each class, with some weeks having fewer possible options. If you find out that you cannot attend class on the agreed-upon date, please work with me to explore the possibility of switching dates (although this may not be possible). This assignment will be graded based on the quality of your review and discussion strategy and will be worth **15%** of your final grade.

Final assignment: Because students enter this class with different goals for their dissertation and beyond, there are three potential options for the final assignment.

Option 1: Policy analysis. This option is likely best for people who are interested in higher education finance, but are more focused on understanding the broad implications than making a career out of it. Students who choose this option will be expected to write a 15-20 page paper (APA format, excluding tables and references) that covers the following aspects of a policy:

- Introduction: Why is this policy issue important and worth examining?
- Literature review: What does prior research say about this topic?
- Policy proposal and outcomes: What is your proposed policy to address this particular issue? What are the desired outcomes, and what are some potential unintended consequences?
- Costs and benefits: Briefly discuss the potential monetary and non-monetary costs and benefits that might result from your proposed policy and who would be affected.
- Alternative policies: What are some reasonable alternatives to your proposed policy, and why is your policy better than these alternatives?

Option 2: Systematic analysis of the literature. This option is ideal for students who are interested in learning more about a topic related to higher education finance, but are not at the point of doing an analysis of their own. It can also be good preparation for a potential comprehensive exam question. This option consists of a 15-20 page paper that comprehensively reviews and analyzes the body of knowledge on an appropriate topic. This is more than just a summary of the literature, as it is up to you to judge the value of particular studies and note where there are gaps in the literature. For examples of what strong analyses look like, see the [Review of Educational Research](#) or [my team's recent article](#) in *Educational Evaluation and Policy Analysis* on state performance funding policies.

Option 3: Conference paper proposal submission. This final option is ideal for students who are ready to begin conducting empirical studies. The [Association for the Study of Higher Education](#) (ASHE) has its annual conference in November and is a tremendous way to network with current and future leaders in the field of higher education. ASHE typically requires a 2,000-word proposal that justifies the need for the study, covers the literature, and plans out research methods (the exact details will probably be available in February). Submissions are likely due in mid-April, although the deadline often gets extended by a week or so.

Because this conference proposal is due before the end of the semester, you can wait to submit to the [American Educational Research Association](#) (AERA) conference. It generally has a proposal deadline in July for a conference in the following April. But if you want to submit to ASHE, your deadline for the submission is whenever ASHE sets it to be. While this proposal is shorter than other options, I will scrutinize every word very closely as if I was a conference reviewer.

The final assignment has three components:

- Proposal (ungraded, no set due date): As soon as you have an idea of which option you would like to pursue and your potential topic of interest, please write up a short proposal for us to discuss.
- Presentation (**in class on May 2 and 9, 5% of final grade**): You will have time for a presentation of approximately 10-15 minutes (depending on final course enrollment) of your work in progress. If you choose the ASHE proposal option, we can schedule your presentation to be in advance of the ASHE proposal deadline.
- Final submission (**due May 16 at 6 PM, 50% of final grade**): This is your final written paper or proposal. If you choose the ASHE proposal option, this deadline will be the ASHE proposal deadline if that falls earlier than May 16).

Paper guidelines: Your papers will be graded in part based on the quality of writing, which includes clarity, proper APA formatting and citations, and correct spelling and grammar. I am happy to look at a draft paper to provide general feedback, as long as you send it to me via e-

mail at least one week in advance. All assignments should be submitted via Canvas; please let me know immediately if you encounter any problems uploading papers.

Presentation guidelines: Learning how to give an effective presentation is one of the most important skills that you can learn in graduate school. The effectiveness of a presentation is strongly correlated with the amount of preparation, so take time to practice your presentation and make sure it is as clear as possible. I strongly recommend using simple slides with large font sizes that can be easily read in the back of a room (even though this is a virtual presentation).

There are two course-specific requirements for presentations. First, I request that students not use Prezi for presentations and also avoid special graphics for transitions. (My eyes cannot handle the sudden zooms and transitions of Prezi, and they make some other people dizzy.) Second, course presentation days are designed to be interactive. Grades will be assigned based on both the quality of the presentation and the feedback you provide to other students' presentations.

Late assignment/life happens policy: Late assignments are strongly discouraged, but I also understand that life happens (especially during a pandemic). Please contact me as soon as possible if there are any issues that prevent you from submitting an assignment on time. I am far more flexible if we can figure something out before the deadline unless there is an emergency. Otherwise, there will be a 10% penalty assessed per day for late paper proposals, draft papers, or final papers unless an emergency exists. Late assignments will also receive minimal feedback.

Grading scale: The grading scale for assignments and the overall class is as follows:

93-100 pts- A
90-92 pts - A-
86-89 pts - B+
83-85 pts - B
80-82 pts - B-
76-79 pts - C+
70-75 pts - C
60-69 pts - D
Below 60 pts - F

Schedule (subject to change)

January 24: Welcome and introduction to higher education finance

Lumina Foundation video series on federal financial aid:

<https://www.luminafoundation.org/history-of-federal-student-aid/>

Chetty, R., Friedman, J. N., Saez, E., Turner, N., & Yagan, D. (2017). *Mobility report cards: The role of colleges in intergenerational mobility*. Working paper.

Schanzenbach, D. W., Bauer, L., & Breitwieser, A. (2017). *Eight economic facts on higher education*. Washington, DC: The Hamilton Project.

Webber, D. A. (2021). A growing divide: The promise and pitfalls of higher education for the working class. *The ANNALS of the American Academy of Political and Social Science*, 695, 94-106.

Recommended data sources (skim/explore)

College Scorecard: <https://collegescorecard.ed.gov/> (underlying data at <https://collegescorecard.ed.gov/data/>)

Equality of Opportunity Project: <http://www.equality-of-opportunity.org/college>

IPEDS: <https://nces.ed.gov/ipeds/use-the-data>

NCES Data Lab: <https://nces.ed.gov/datalab/index.aspx>

Postsecondary Value Commission's Equitable Value Explorer: <https://www.postsecondaryvalue.org/equitable-value-explorer/>

ProPublica's Nonprofit Explorer: <https://projects.propublica.org/nonprofits/>

Urban Institute's Data Explorer: <https://educationdata.urban.org/data-explorer/colleges/>

January 31: Institutional budgeting

Watch this video that I made on the Budget Allocation Model process at UTK: https://tiny.utk.edu/CEHHS_BAM. Also look at UTK's BAM website: <https://budget.utk.edu/budget-allocation-model/>.

Barr, M.J., & McClellan, G.S. (2010). Understanding budgets. In *Budgets and financial management in higher education* (pp. 55-85). San Francisco, CA: Jossey-Bass.

*Jaquette, O., Kramer II, D. A., & Curs, B. R. (2018). Growing the pie? The effect of responsibility center management on tuition revenue. *The Journal of Higher Education*, 89(5), 637-676.

Rutherford, A., & Rabovsky, T. (2018). Does the motivation for market-based reform matter? The case of responsibility-centered management. *Public Administration Review*, 78(4), 626-639.

University of Tennessee System's FY2022 budget: <https://finance.tennessee.edu/budget/documents/>

University of Tennessee System's FY2020 annual financial report:
<https://treasurer.tennessee.edu/reports/>

February 7: Financial viability of higher education institutions

Ducoff, N. (2019, December 9). Students pay the price if a college fails. So why are we protecting failing institutions? *The Hechinger Report*. Retrieved from <https://hechingerreport.org/opinion-students-pay-the-price-if-a-college-fails-so-why-are-we-protecting-failing-institutions/>.

EY-Parthenon (2018). *Transitions in higher education: Safeguarding the interests of students*.

*Kelchen, R. (2020). *Examining the feasibility of empirically predicting college closures*. Brookings Institution.

Massachusetts Board of Higher Education (2019). *Final report & recommendations. Transitions in higher education: Safeguarding the interest of students (THESIS)*.

Sullivan, G. W., & Stergios, J. (2019). *A risky proposal for private colleges: Ten reasons why the Board of Higher Education must rethink its plan*. Pioneer Institute.

*Tarrant, M., Bray, N., & Katsinas, S. (2018). The invisible colleges revisited: An empirical review. *The Journal of Higher Education*, 89(3), 341-367.

February 14: In-class work day on institutional budget assignments

There are no readings for this class, which will have three components:

- Answering any questions about institutional budgets or financial viability.
- A discussion of presenting data in useful ways (come prepared with potential examples or questions).
- Small group time (via breakout rooms) to work on assignments together.

February 21: Higher education expenditures

Guest speaker: Dr. Ryan Westman, Director of Academic and Student-Athlete Support Services and Compliance Officer, New York University

Archibald, R. B., & Feldman, D. H. (2018). *Drivers of the rising price of a college education*. Minneapolis, MN: Midwestern Higher Education Compact.

*Cheslock, J. J., & Knight, D. B. (2015). Diverging revenues, cascading expenditures, and ensuing subsidies: The unbalanced and growing financial strain of intercollegiate athletics on universities and their students. *The Journal of Higher Education*, 86(3), 417-447.

Commonfund Institute (2021). *2021 higher education price index*. (skim)

*Griffith, A. L., & Rask, K. N. (2016). The effect of institutional expenditures on employment outcomes and earnings. *Economic Inquiry*, 54(4), 1931-1945.

*Hemelt, S. W., Stange, K. M., Furquim, F., Simon, A., & Sawyer, J. E. (2021). Why is math cheaper than English? Understanding cost differences in higher education. *Journal of Labor Economics*, 39(2), 397-435.

February 28: State sources of revenue

Guest speaker: Dr. Steven Gentile, Chief Policy Officer, Tennessee Higher Education Commission

Chakrabarti, R., Gorton, N., & Lovenheim, M. F. (2020). *State investment in higher education: Effects on human capital formation, student debt, and long-term financial outcomes of students*. National Bureau of Economic Research Working Paper 27885.

*Gándara, D. (2020). How the sausage is made: An examination of a state funding model design process. *The Journal of Higher Education*, 91(2), 192-221.

Laderman, S., & Heckert, K. (2021). *State higher education finance: FY 2020*. State Higher Education Executive Officers Association. (see also <https://shef.sheeo.org/>) (skim)

Lingo, M., Kelchen, R., Baker, D., Rosinger, K. O., Ortagus, J. C., & Wu, J. (2021). *The landscape of state funding formulas for public colleges and universities*. InformEd States.

Odle, T., Lee, J. C., & Gentile, S. P. (2021). Do promise programs reduce student loans? Evidence from Tennessee Promise. *The Journal of Higher Education*, 92(6), 847-876.

Ortagus, J. C., Kelchen, R., Rosinger, K. O., & Voorhees, N. (2020). Performance-based funding in American higher education: A systematic synthesis of the intended and unintended consequences. *Educational Evaluation and Policy Analysis*, 42(4), 520-550.

Tennessee's outcomes-based funding formula: <https://www.tn.gov/thec/bureaus/policy--planning--and-research/fiscal-policy/redirect-fiscal-policy/outcomes-based-funding-formula-resources/redirect-outcomes-based-funding-formula-resources/2015-20-outcomes-based-funding-formula.html>

March 7: Federal sources of revenue

*Bergman, P., Denning, J. T., & Manoli, D. (2019). Is information enough? The effect of information about education tax benefits on student outcomes. *Journal of Policy Analysis and Management*, 38(3), 706-731.

*Cellini, S. R. (2010). Financial aid and for-profit colleges: Does aid encourage entry? *Journal of Policy Analysis and Management*, 29(3), 526-552.

Gibbons, M. T. (2021, January 13). *Universities report 5.7% growth in R&D spending in FY 2019, reaching \$84 billion*. National Science Foundation. <https://nces.gov/pubs/nsf21313>

*Kelchen, R. (2019). An empirical examination of the Bennett Hypothesis in law school prices. *Economics of Education Review*. doi: 10.1016/j.econedurev.2019.101915.

Mok, S., & Shakin, J. (2018). *Distribution of federal support for students pursuing higher education in 2016*. Congressional Budget Office.

March 11: Budget analysis due at 6 PM

March 14: Spring break (no class)

March 21: College pricing, tuition revenue, and endowments

*Baker, D. J. (2020). “Name and shame”: An effective strategy for college tuition accountability? *Educational Evaluation and Policy Analysis*, 42(3), 1-24.

Baum, S., & Lee, V. (2018). *Understanding endowments*. Washington, DC: Urban Institute.

*Cheslock, J. J., & Riggs, S. O. (2021). Psychology, market pressures, and pricing decisions in higher education: The case of the US private sector. *Higher Education*, 81, 757-774.

*Kramer II, D. A., Ortagus, J. C., & Lacy, T. A. (2018). Tuition-setting authority and broad-based merit aid: The effect of policy intersection on pricing strategies. *Research in Higher Education*, 59(4), 489-518.

Ma, J., & Pender, M. (2021). *Trends in college pricing and student aid 2021*. The College Board. (skim)

Webber, D. A. (2017). State divestment and tuition at public institutions. *Economics of Education Review*, 60, 1-4.

March 28: Financial aid policies, practices, and impacts

*Anderson, D. M., Broton, K. M., Goldrick-Rab, S., & Kelchen, R. (2020). Experimental evidence on the impacts of need-based financial aid: Longitudinal assessment of the Wisconsin Scholars Grant. *Journal of Policy Analysis and Management*, 39(3), 720-739.

*Bird, K., & Castleman, B. L. (2016). Here today, gone tomorrow? Investigating rates and patterns of financial aid renewal among college freshmen. *Research in Higher Education*, 57(4), 395-422.

Guzman-Alvarez, A., & Page, L. C. (2021). Disproportionate burden: Estimating the cost of FAFSA verification for public colleges and universities. *Educational Evaluation and Policy Analysis*, 43(3), 545-551.

Kelchen, R., Goldrick-Rab, S., & Hosch, B. (2017). The costs of college attendance: Examining variation and consistency in institutional living cost allowances. *The Journal of Higher Education*, 88(6), 947-971.

Nguyen, T. D., Kramer, J. W., & Evans, B. J. (2019). The effects of grant aid on student persistence and degree attainment: A systematic review and meta-analysis of the causal evidence. *Review of Educational Research*, 89(6), 831-874.

April 4: Student debt and financing college

Guest speaker: Dr. Dominique Baker, assistant professor, Southern Methodist University

Baker, D. J. (2019). When average is not enough: A case study examining the variation in the influences on undergraduate debt burden. *AERA Open*, 5(2), 1-26.

*Black, S. E., Denning, J. T., Dettling, L. J., Goodman, S., & Turner, L. (2020). *Taking it to the limit: Effects of increased student loan availability on attainment, earnings, and financial well-being*. National Bureau of Economic Research Working Paper 27658.

*Boatman, A., Evans, B. J., & Soliz, A. (2017). Understanding loan aversion in education: Evidence from high school seniors, community college students, and adults. *AERA Open*, 3(1), 1-16.

Ritter, D., & Webber, D. (2019). *Modern income-share agreements in postsecondary education: Features, theory, applications*. Federal Reserve Bank of Philadelphia Discussion Paper 19-06.

Scott-Clayton, J. (2018). *What accounts for gaps in student loan default, and what happens after*. Brookings Institution Evidence Speaks Report #57.

April 11: Catch-up/final assignment workshop

We will meet as a class this day to catch up on any topics that we were unable to fully cover in previous weeks and to have time to workshop final assignments. More details will be provided about this class as we get closer.

April 18: Free college

*Carruthers, C., Fox, W. F., & Jepsen, C. (2020). *Promise kept? Free community college, attainment, and earnings in Tennessee*. Working paper.

*Collier, D. A., & Parnter, C. (2021). Conversing with Kalamazoo Promise scholars: An inquiry into the beliefs, motivations, and experiences of tuition-free college students. *Journal of College Student Retention: Research, Theory & Practice*, 22(4), 572-596.

*Gándara, D., & Li, A. Y. (2020). Promise for whom? “Free-college” programs and enrollments by race and gender classifications at public, 2-year colleges. *Educational Evaluation and Policy Analysis*, 42(4), 603-627.

Murphy, R., Scott-Clayton, J., & Wyness, G. (2017). *Lessons from the end of free college in England*. Washington, DC: The Brookings Institution.

Perna, L. W., Leigh, E. W., & Carroll, S. (2018). “Free college:” A new and improved state approach to increasing educational attainment? *American Behavioral Scientist*, 61(14), 1740-1756.

Map of college promise/free college programs: <https://ahead-penn.org/creating-knowledge/college-promise>

April 25: Returns to education

*Deterding, N. M., & Pedulla, D. S. (2016). Educational authority in the “open door” marketplace: Labor market consequences of for-profit, nonprofit, and fictional educational credentials. *Sociology of Education*, 89(3), 155-170.

Darity, Jr., W. A., & Underwood, M. (2021). *Reconsidering the relationship between higher education, earnings, and productivity*. Postsecondary Value Commission.

*Doyle, W. R., & Skinner, B. T. (2017). Does postsecondary education result in civic benefits? *The Journal of Higher Education*, 88(6), 863-893.

Ma, J., Pender, M., & Welch, M. (2019). *Education pays 2019: The benefits of higher education for individuals and society*. The College Board.

*Webber, D. A. (2016). Are college costs worth it? How ability, major, and debt affect the returns to schooling. *Economics of Education Review*, 53, 296-310.

May 2 and 9: Final assignment presentations

May 16, 6 PM: Final assignment due