

August 25, 2005

Report on Proposals Affecting Doctoral and Master's Education – Fiscal Implications

The Senate Fiscal Sub-Committee on the “Freeman Report” has reviewed the confidential draft shared with the Senate Fiscal Committee on May 24, 2005. The sub-committee had the benefit of the general discussion with Dean Freeman and the entire Senate Fiscal Committee. Sub-committee members then reconsidered the report focusing on fiscal implications. The sub-committee was impressed with the approach taken by the Freeman Committee and with the obvious sincerity of efforts to build on its work (e.g., Beck committee). It is clear that the Freeman committee identified a number of critical issues affecting the extent and quality of doctoral education at The Ohio State University. That committee examined issues including organizational arrangements, quality assessments and fiscal implications of existing practices. The Senate Fiscal sub-committee focused on those issues having an immediate budgetary impact on opening units of the university, primarily academic units. The sub-committee only dealt with overall quality and organizational issues to the extent that these had clear fiscal impacts. As a result, it should not be surprising that we do not address all of the issues identified in the Freeman report.

Background – In understanding the sub-committee recommendations it is important to review the context within which we operated. For example, the sub-committee identified the following as critical elements in our review:

1. Any proposals for changes in funding should be as consistent as possible with the existing budget process. We could find no persuasive reason to decouple funding for doctoral and graduate education from the basic budget principles guiding resource allocation to academic units.
2. It is clear from the Freeman report and other data that OSU lags behind current and aspirational peers in terms of the production of both master's and doctoral degrees. Indeed, data generated by the university clearly indicate that not only does the production of both master's and doctoral graduates at OSU lag significantly behind our peers, but the ratio of the number of master's degrees awarded to the number of doctoral degrees awarded is among the lowest of our peers.
3. While the focus of the Freeman report is on doctoral issues, it would not be institutionally sound to propose changes in funding for doctoral programs without full awareness of how these changes would impact those units focusing on master's-level education. Indeed, the Freeman report highlights the interactions between both levels of graduate education.
4. As clearly noted in the Freeman report, there appear to be very good reasons to assume considerable variance in the quality of doctoral programs. This is an issue that should be addressed in the normal operations of the university but becomes especially critical during times of increasingly limited resources available for doctoral education.

5. While there are undoubted variances in quality in master's level programs, these programs often have accreditation and external review mechanisms as well as more direct contact with market issues that tend to resolve such issues. Furthermore, at least at present, state funding formulae support expansion of master's level programs, subject to the cap on overall campus enrollments at all levels.
6. At present, on a per-credit-hour basis, it is true that once the university goes above the minimal doctoral enrollment level there is limited subsidy advantage to the university further increasing credit hours. Under existing university rules, going above the minimum level simply means that the subsidy available to any one program for the same number of credit hours declines as the total dollars are fixed and the number of credit hours increase. It is important to remember that this effect on a particular program results from internal university rules for distributing subsidy and these rules are within our control.
7. At present, if a student registers for a doctoral category course and goes beyond 50 graduate credit hours, the courses taken by the student are eligible to earn doctoral level subsidies for the host college(s) even if the student will remain only at the master's level. While the earning of doctoral level subsidy for the university by these students is a statewide rule, the subsidy distribution within the university is an artifact of our internal university rules and is something that can be modified.
8. At present, if a student enrolls in a master's level course he/she is assigned master's level subsidy regardless of whether he/she is a master's student or doctoral student. This seems to be an appropriate allocation of resources since the "costs" associated with close contact doctoral courses are presumably not also present in master's level courses.
9. At present, a course with a subsidy coding of "doctoral" generates doctoral subsidy for any enrolled student with more than 50 credit hours. This is the area that is most problematic as it is not clear why doctoral level subsidy should ever be distributed internally to master's level students.
10. As noted in Table 1, there are really two related but separate problems underlying proposals in the Freeman Committee report. These are the situations identified in the two middle cells on the "subsidy level" row. That is, situations where master's level candidates take more than 50 hours of instruction and receive doctoral subsidy and situations where doctoral students with fewer than 50 hours of instruction take master's level courses and receive master's level subsidy. The committee does not believe the latter issue is relevant since the first 50 hours of doctoral education do not involve the same close connections with faculty in what amounts to a high cost small section and "apprenticeship" relationships as are involved in the latter stages of doctoral programs.
11. Graduate fee authorizations are currently in the "base budget" for each college and are being managed to accomplish agreed upon academic goals in programs at all levels, not just the doctoral level. Examination of the "management" of such funds is part of the annual review process conducted by the provost's office.
12. It is important to note that, while it is true that doctoral funding per credit hour is limited to the floor level funding established by the Regents and has decreased by

9% from 2002-2004, the actual dollar funding for doctoral subsidy has increased by \$1.1 million while the master's subsidy has actually decreased by \$367,000.

Recommendations – Given the above, the sub-committee believes that the following approach to enhance doctoral education at OSU should be seriously considered.

1. The university must institute a process for quality control for doctoral programs. This is at the heart of the Freeman Committee report. Whether the locus of such control should reside within the graduate school, provost's office or some other organizational unit is not a matter for this sub-committee. However, we do strongly urge, as does the Freeman Committee, that responsibility for some type of periodic quality review be clarified along with the financial consequences associated with such reviews. Similarly, there must be clear, periodic review of quality for master's level programs. Whether that should be vested in the same institutional unit as doctoral level reviews is a matter outside the scope of the sub-committee.
2. Graduate fee authorizations should remain in the base budgets of colleges. To the extent that the university believes there are quality concerns in doctoral programs, or at any other degree level, that should be addressed through base budget reallocations guided by the provost in annual or five-year review cycles. Such action is consistent with the philosophy and operating rules of the existing university budgeting system. This is an area of apparent difference with the Freeman Committee recommendation.
3. For purposes of internally distributing the enrollment revenue they generate, all graduate students in master's level programs should be classified as qualifying for the appropriate master's level subsidy regardless of the number of credit hours completed. In effect, until such time as a student is formally admitted to a doctoral program, the only subsidy level to be received by a unit is the appropriate master's level subsidy. The sub-committee is aware of two dangers with this approach. First, there is a clear danger that some units will quickly seek to classify students as being admitted to their doctoral program, but such action should result in lower quality rankings (e.g., due to longer time to completion, higher drop out rates) and should subsequently result in financial penalties such as base budget reallocations at the college or university level. Second, this will require tracking student activities in a fashion that is different from the past and systems will have to be developed to do so. While developing such a system may take some time, it is essential to future success in focusing resources to achieve the highest levels of doctoral education quality. We believe this recommendation is consistent with the thrust of the Freeman Committee report.
4. The admissions process for doctoral programs should involve the central locus of quality control (e.g., graduate school) rather than be left entirely up to colleges, departments or other units. To completely decentralize this process creates opportunities for negative fiscal impacts on high quality units that are often unanticipated. While somewhat different than the approach suggested by the Freeman Committee, we believe that it is more consistent with university values and traditions.

5. For master's level students taking more than 50 hours the difference between the marginal subsidy rates that master's students will earn under item (B) 3 above and the existing doctoral level subsidy rate could be considerable. In implementing our recommendations, both credit hour numbers and associated dollars must be adjusted. For some colleges this might result in a significant change in anticipated revenues. If necessary, these funds can be "recovered" from units over a multiyear period. In any event, the resources thus released will constitute the core incremental funding available to the locus of quality control (e.g., graduate school) to reallocate to the highest quality doctoral programs or newly approved doctoral programs of projected high quality. While the sub-committee does not know if this would generate significant funds to refocus resources, the change is essential to keep university policies governing graduate education consistent with our goals. We believe the spirit of this recommendation is consistent with the thrust of the Freeman Committee report.
6. When rebasing last occurred, colleges teaching master's level students receiving doctoral subsidy had such funds included in their base budgets. It would be very complicated to devise an estimation strategy to recover such funds from these colleges but the provost should consider recovery of such funds through rebasing activities. Such action would significantly increase the pool of funds available for distribution to the highest quality or most promising doctoral programs in the university. While the recovery of these funds for redistribution appears to be consistent with the goals of the Freeman Committee, the approach for how to do so is different.
7. In the midst of its deliberations the sub-committee learned that the state legislature created the Innovation Incentive that would match a portion of our doctoral subsidy with state dollars with the intent of improving doctoral programs and research in key areas. In FY 06 the university would have available to it about \$2 million to improve doctoral education and up to \$4 million (depending on the level of the university match) for fiscal year 2007. We strongly urge the provost to find ways of using these funds in a fashion consistent with the recommendations of both the Freeman and Senate Fiscal committee reports (i.e., to support the highest quality doctoral programs). We recognize that until new systems are development such differential allocations will have to be driven by incomplete data, but we believe that such decisions will effectively signal institutional intent.
8. Since the university's ability to internally set subsidy levels for doctoral education depends on the total number of credit hours generated, the locus of quality control (e.g., graduate school) should modify existing rules to minimize the generation of doctoral credit hours required for funded graduate students. It is also important to note that subsidy eligibility needs to be sustained in ways that are consistent with graduate student needs to meet health benefit limits, immigration requirements and student status for loan purposes. Subsidy eligible credit hours also are appropriate for students doing thesis research in any quarter, though the number of credit hours taken by such students should reflect their overall level of thesis research activity, just as the credit hours assigned to other courses are expected to reflect the level of student activity. We realize that this is difficult to monitor but

this could be handled through an appropriate limit to the number of credit hours that count for a given student for internal enrollment distribution in a given quarter. This recommendation is certainly consistent with the spirit of the Freeman Committee report.

9. It is clear that if one allocates revenues generated by teaching assistants in sections they have taught back to each teaching assistant, and then allocates full costs of the appointment of that assistant, it can be seen as “profitable” for a unit to increase the number of doctoral students, even if subsidy levels decline or are denied due to poor quality assessments. This conclusion results from looking at resource flows (i.e., costs as well as revenues) in ways different from those adopted by the Freeman Committee. The ability to deal with this issue raises a fundamental matter of administrative and faculty governance. It should be resolvable through intervention of the provost with input from the graduate school or other locus of quality control.
10. With the changes noted above, and as identified by the Freeman Committee, there will be a need to develop better data tracking systems and greater transparency in department/program rules for admission to graduate programs. Particularly the improved data tracking systems may have financial costs associated with their development. However, such data tracking systems are essential to ensure quality performance by academic and support systems and are truly simply part of the “cost of doing business” at a high quality academic institution. The sub-committee is concerned that these efforts not result in a bureaucratic approach that escalates personnel costs which would ultimately result in increased assessments for academic units.
11. In its review the sub-committee learned that the graduate school annually allocates about \$7.6 million in fee authorizations to units believed to have “special needs.” The nature of these “needs” appears to vary considerably and some seem to be simply legacy commitments from decisions made in the past and not reviewed in any transparent fashion. It is not even clear that allocations are consistent with a responsibility based budgeting system. Nevertheless, when taken in conjunction with about \$6 million in stipends and fee waivers connected with graduate fellowships, this is a significant amount of funding that could be used to focus on improving and rewarding high quality doctoral education. The sub-committee strongly urges that the graduate school and the provost seriously review these commitments for possible reallocation in ways consistent with the goal of supporting the highest quality doctoral education.

Summary

In summary, the sub-committee believes that the university (a) must address the issue of quality differences in graduate programs; (b) should continue to have master’s level subsidies flow to master’s level programs; (c) should ensure that doctoral level subsidies are used to enrich and enhance high quality doctoral programs and are awarded based upon university established metrics; (d) must continue to require that colleges be held accountable for the use of Graduate Fee Authorization funds; and (e) to as great an extent as possible, continue to treat all academic activities in a fashion that is consistent with the existing budgeting system. In addition, while some of the changes suggested

will have to be “phased in” as new systems are developed, there are at least two existing sources of funding (i.e., new state funding and current graduate school allocations) that could be used to jump start the process of differentially supporting doctoral programs based on quality assessments.

Table I

Subsidy Chart

Student: **Masters Program** **Masters Program** **PhD Program** **PhD Program**
 < 50 credit hours > 50 credit hours < 50 credit hours > 50 credit hours

Course Coding:	Masters	Masters	Masters	Masters
Subsidy Level:	M1,M2,M3	M1,M2,M3	M1,M2,M3	M1,M2,M3
Course Coding:	Doctoral	Doctoral	Doctoral	Doctoral
Subsidy Level:	M1,M2,M3	D1, D2	M1,M2,M3	D1, D2