An Analysis of the University of Nebraska System
by Richard Vedder

Today, the Platte Institute is releasing its latest policy study analyzing the University of Nebraska System. Specifically, the analysis examines three things:

1) How the system compares to other similar institutions, particularly in graduation rates and tuition prices.

2) The causes behind tuition increases in higher education today.

3) How much the system receives in state appropriations and where that money goes.

When it comes to tuition, what is happening in Nebraska with respect to college costs is, to a considerable extent, merely a reflection of the serious inflation in those costs at the national scale. College tuition and fees have increased dramatically more than overall consumer prices over the last three decades. In inflation-adjusted terms, tuition fees are nearly triple what they were 30 years ago. In 1960, roughly one percent of the national output (as measured by the gross domestic product, or GDP) went for higher education, whereas today it is over three times as much.

From 1999-2000 to 2009-10, tuition and fees at public four-year institutions (a category which includes the University of Nebraska System) increased at an average rate of 4.5 percent every year. Overall, from 1976 to 2010, the average annual growth rate for undergraduate tuition at public four-year universities was 3.3 percent a year, considerably more than the annual growth rate in tuition at private four-year institutions, which was only 2.7 percent a year. Similarly, the rise in tuition has outpaced growth in median incomes in the United States. In 1976 the typical American household needed only 10 percent of its income to pay for a year of undergraduate collegiate education; by 2009, that number increased to around 25 percent. This upward trend in tuition prices relative to incomes surely cannot continue indefinitely into the future at the same rate they have in the past decade-if it does, then by 2100, college tuition will exceed median incomes.

While there are varying claims for why tuition is rising at such a rapid rate, almost everyone agrees that third party payments are widespread, permitting colleges to raise fees more than they would otherwise. Also, the non-profit nature of most higher education reduces the incentive to reduce costs. The lack of a well-defined "bottom line" and the dearth of detailed and precise information on educational outcomes make it difficult to achieve efficiency. Other causes often cited as cost-drivers include resource rigidities resulting from lifetime employment contracts and huge capital expenditures, dubious managerial control and governance procedures, high barriers to entry imposed by accreditation and other rules, the impact of soaring federal student assistance programs, the enormous cost of some graduate programs, and a "academic arms race" that includes expensive facilities such as deluxe housing and amenities such as climbing walls. The list goes on and on, and the trends seem to be common across the country.

At the University of Nebraska, in-state undergraduate tuition has been somewhat lower than at the peer institutions, with UNK 17 percent lower than its peers, UNO 8 percent lower, and UNL 21 percent lower than its peer institutions. However, these are only the published or "sticker," tuition prices, which do not account for tuition discounting and financial aid in determining the actual amount of money students pay to attend college or the amount of revenues colleges and universities collect from tuition. Subtracting institutional aid and discounting from the "sticker" tuition is the important metric, because that yields the amount of tuition revenue actually received by the institution.[1]

Although University of Nebraska students tend to pay less tuition, they are woefully behind their peers in graduation rates. Compared to its peers, UNL has a much lower graduation rate, with only 25 percent graduating within 4 years. While this number improves slightly if the range is expanded to those graduating within 6 years to 63 percent, it is still all of its self-described peer institutions with the exception of the University of Kansas. The results for UNK and UNO are even more dismal, with only 23 and 13 percent of Kearney and Omaha students, respectively, graduating in four years. As with UNL, the six-year rates at these schools are better (59 percent at Kearney and 45 percent at Omaha), yet it is unfortunate that a majority of students entering the state's second largest institution, the University of Nebraska at Omaha, fail to graduate *even within six years*.[2] Moreover, it is lamentable that 61 percent of those ultimately graduating at Kearney, and over 71 percent at Omaha, take more than four years to complete their degree, radically higher than at UNL or any of UNL's peer institutions. Among public colleges in Nebraska, Wayne State College actually had the highest four-year graduation rate of any of Nebraska's public undergraduate institutions.

Compared to the national average for state funding per student at major public research universities (a category which includes UNL), Nebraska receives a high level of subsidy from the State; 14 percent higher than the national average. Furthermore, while real state funding per student for major research universities nationally fell by 4 percent between 2002 and 2010, at the University of Nebraska it rose by 9 percent.[3] This indicates that far from being strapped for cash, the University of Nebraska System benefits from an unusually generous state government (that is, state taxpayers).

However, despite this generosity, in terms of total "education and related" spending, UNL spent less per student ($11,722) than any of its peers, with the exception of Colorado State University (peer universities on average spent about 17,000 per student, 45 percent higher than the amount spent by UNL). while UNL spends relatively less per student on instruction and student services (both of which arguably are more directly for the benefit of students), UNL spends *more* on administration, support and maintenance per student than does the University of Missouri-Columbia, which spends roughly 20 percent more per student on instruction than does UNL.

Of all of its peers, UNL spends more on administration, support and maintenance (as a proportion of total per student education and related spending), except for Iowa State, Kansas, and Minnesota-Twin Cities, all three of which spend more per student on instruction than UNL. These data suggest that UNL puts a somewhat greater emphasis on administrative and support spending than it does on instruction, especially when compared to its peers. UNL also spends more on public service and related spending per student than a majority of its peer institutions. These spending patterns suggest that UNL, relative to its peers at least, prioritizes its students' education less than it does research or public service.

In many ways, the University of Nebraska is fairly typical of American state universities. That, however, is not necessarily good. Nationally, costs have been rising sharply, learning outcomes are uncertain, and vital information needed to assess progress is missing, traits that are evident in an examination of the University of Nebraska system. The growth of college costs has far exceeded the growth of median household income, making it exceedingly difficult for students from median income families to attend the University without financial assistance. Data also indicates that a low proportion of resources are allocated to instruction-particularly when compared to the University's peer institutions-these resources are instead directed to research and public services expenses, which have minimal effect on the education of tuition-paying students. There is also the huge problem of students lingering for five or six years, particularly at the flagship campus, UNL. The extension of the time it takes to earn a college degree increases the cost burden on the student, and there does not at this time appear to be a concentrated effort to ensure students graduate within a four-year timeframe.

The problems the university faces are NOT primarily the consequence of being deprived state support. The University receives relatively generous state appropriations, and, unlike most other state universities, has not seen a sharp decline in inflation-adjusted appropriations over the past four fiscal years. The University of Nebraska System deserves closer scrutiny by policymakers and citizens groups to provide the taxpayers who provide considerable amounts of revenues evidence that they are, in fact, getting some bang for their bucks.

The full policy study may be viewed here.

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[1] Defining "net tuition revenue" as "sticker" price tuition less average institutional grants and scholarship would include in the final amount, any financial aid received from government sources since those monies are not disbursed from the institution and the institution receives those dollars through the student.

[2] The data on graduation rates are imperfect, and are based on full-time students.

Transfers are ignored. Nonetheless, the data imperfections apply to all institutions, and the general impression of high dropout rates appears to be accurate, and certainly the graduation rates are almost certainly well below many peer institutions.

[3] For all the data cited in this paragraph, see http://www.nsf.gov/statistics/seind12/pdf/c08.pdf