



Charter Universities: Academic Accountability in Exchange for Business and Governance Efficiencies

by Amy J. Borman

In March 2011, Governor John Kasich released a budget bill that cut spending for Ohio's higher education institutions by 10.5% and placed a 3.5% yearly cap on tuition increases. While this seems like a heavy blow to Ohio's public colleges and universities, many higher education officials are not complaining. In exchange for the budget cuts, Substitute House Bill 153 may give state colleges and universities more freedom from regulations, as part of a plan to promote "charter universities." For a start, read Section 3345.81 of Sub. H.B. No. 153, lines 53150-53196.

Background

The concept of charter universities is not new. Over the past fifteen years, several states have recognized the businesslike advantages of charters and have created successful charter colleges and universities. Some examples include: St. Mary's College of Maryland, University of Virginia and the Massachusetts College of Art.

To create a charter university, a new or existing college or university negotiates a charter agreement with the state which defines its academic accountability in exchange for autonomy, regulatory relief and increased authority of its leaders.

About the photo: Flag flying over Hancock County Courthouse.

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The link between freedom and results is the art of the charter agreement. The goals are governing and business efficiency, and improved educational results. Advocates argue in favor of a fluid business model and governance culture. Ideally, any type of college could participate, whether state or private, community or technical college. For discussion purposes, we will call them all charter universities.

Funding

No state audit, accounting or fiscal reporting controls are relinquished in a charter agreement. However, one important aspect of the charter agreement is the funding model with the state, which may include both private and public commitments. Here, almost any creative idea could be welcomed, including a cap on the state funds, a cap on tax support, increased private funding, or increased or decreased tuition for varying economic situations. Savings generally come from deregulation in construction and equipment purchasing, as well as potentially through performance or merit based compensation. A “lump sum” budgeting model allows for direct authority and accountability for all persons in charge of spending at the charter university. Private philanthropy may increase due to the more efficient business model.

A college or university considering the charter concept also might entertain the trend for shared services and enter into ventures with other institutions in order to eliminate duplication of services and thereby also decrease its spending. This trade of “shared local and state authority” for “shared local services and resources” with other institutions makes sense. The flexibility in allowance of ranges in tuition and fees is a debated issue. The freedom in the use of tuition proceeds, however, is often desired in a charter agreement.

Governance

Governance in higher education has become, in most states, an amalgamation of state or federal bureaucracies, agencies and campus level boards, due largely to the rapid growth of higher education institutions in the 1970's and resulting federal legislation. Some say this amalgamation causes an influx of political influence and inefficiencies to the operations of higher education. At the very least, tension between competing aspects of operation can be stifling – the ideals of freedom for college life and its faculty versus the control of outside interests – the potential political gain versus the inability to govern like a well-run business. Higher education may need to rid itself of the status quo and outside influence in order to move forward in the area of governance. The governance model for a charter university might emulate a responsive and efficient system geared toward financial results – a model that would enhance private relationships and endowments.

Academics

A charter agreement includes a mission, goals, curriculum, latitude for new offerings and assurances of similar intellectual and academic freedoms. Many argue that such an environment will attract more effective leaders, both in academics and in business. The freedom to offer curricula geared toward specific results, and specific industries and careers is very tempting.

Proponents of charter universities argue that academic quality and diversity are both enhanced by a less regulated academic environment. Currently there is no evidence of a loss in academic quality for higher educational institutions that are partially de-regulated.

It is important to note that no charter agreement that I have yet studied has abandoned statewide higher educational standards, but rather, has enhanced them. The state evaluates how the higher educational institution meets its enhanced goals. In effective private businesses, freedom and control over decision-making produces greater results. The concept is to transfer these best practices to educational institutions.

The effects of regulation and the obstacles of bureaucracy, politics and strong interest groups, although resulting from the time in the 1970's where all of this made some sense, now creates a culture adverse to change and increased

excellence in performance. Our rapidly changing economy, and technology, and the rapidly decreasing status in education as a country requires a more flexible alternative.

For an in-depth review of the pros and cons of charter universities, please see:

"Charter Colleges: Balancing Freedom and Accountability." Robert O. Berdaht and Terrance J. MacTaggart. Pioneer Institute for Public Policy Research. Boston, Massachusetts White Paper No. 10.

"Policy Dialogue – Charter Colleges: Pro and Con." Policy Institute Policy Dialogues, http://www.pioneerinstitute.org/pdf/pdialg_31.pdf.

Chartering the University of Wisconsin – Madison, Wisconsin Policy Research Institute Report, Volume 14, Number 8, November 2001.

"Imposing Market Discipline in Public Colleges and Universities," Robert B. Archibold, Ph.D and Michael J. Bevier, M.B.A., J.D. Virginia Institute for Public Policy October, 1998; <http://www.virginia institute.org/publications/mdpc.php>.

"Venture Colleges, Creating Charters for Change in Higher Education," John Tagg, *Change*, Jan/Feb, 2005;

"Charter University: A New Paradigm," UniversityBusiness.com, November, 2005.

"Movement to Create Charter Colleges Gathers Supporters – and Critics," *The Chronicles of Higher Education*, November, 2000.

"Setting Colleges Free," John Buntin, *Governing*, September, 2003.

"Higher Education Restructuring University of Virginia," University of Virginia's web site, April 1, 2011, <http://www.virginia.edu/restructuring/documents.html>.



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