

The Chronicle Letter

FOR COLLEGE AND UNIVERSITY TRUSTEES

MAY 2010

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IRS Finds Possible Problems With Tax Compliance by Colleges

The Internal Revenue Service has identified several potential problems with how colleges and universities set salaries and report income from their business activities.

The IRS issued a report based on a 42-page survey that it sent in late 2008 to 400 public and private institutions of varying sizes. The survey asked the institutions to disclose details of their finances, such as whether their business ventures were turning a profit and what kind of perks they provided their executives.

GOVERNMENT

The goal of the survey, IRS officials have said, is to examine potential discrepancies between colleges' financial activities and what they report to the government. The agency said it had begun audits of more than 30 institutions based on their responses.

One key issue the IRS has identified is that many public and private institutions are involved in business activities that they are not reporting as taxable income to the government.

For example, 45 percent of the large colleges, with more than 15,000 students, that participated in the survey reported a controlling interest in separate for-profit businesses, such as a company to develop commercial applications for research, or nonprofit organizations, such as a foundation. But among that group, only 26 percent reported receiving any income from such an entity.

The IRS is also interested in how institutions report their profits or losses on enterprises like facility rentals, bookstores, and food services. While some of those enterprises may be completely exempt from taxes—if they are related to the core mission of the college or if the activity loses money, for example—the survey found that nearly half of the small colleges responding to the survey had never filed the appropriate tax forms to report any such activities.

Another issue that has piqued the agency's interest is how private colleges set the salaries for their top employees, such as presidents and chancellors. Private institutions can be subject to a tax penalty if they pay key employees amounts above what is comparable for similar positions at similar organizations. Forty-five percent of small colleges and 38 percent of the largest institutions in the survey reported they did not use the IRS's suggested procedures for setting the compensation of their highest-paid employees.

The IRS also noted that it is concerned that too few private colleges are using an independent survey of comparable institutions to determine salaries.

Senator Questions Tax-Exempt Bonds for Colleges

A U.S. senator with influence over federal tax policy may be setting his sights on a cornerstone of colleges' financial practice: paying for new and renovated buildings by borrowing money with tax-exempt bonds.

The attention by Sen. Charles E. Grassley comes as a result of a report from the Congressional Budget Office called "Tax Arbitrage by Colleges and Universities." It questions the merits of allowing nonprofit institutions to rely on taxpayer-subsidized debt while they also benefit from investing their assets to earn them more than what they pay out in interest on the debt.

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Such a practice allows many institutions to benefit from what the report describes as "indirect tax arbitrage" because "holding those assets while borrowing on a tax-exempt basis is, in effect, equivalent to using tax-exempt proceeds to invest in those higher-yielding securities."

College advocates say the broad definition of tax arbitrage the report uses reflects an economic argument on the merits of tax-exempt financing but doesn't take into account the social good that colleges provide or the current financial pressures they face.

Sen. Grassley, who requested the budget-office analysis in 2007 as part of a broad look at tax-exempt organizations, said in a statement that the report raises questions "for parents, students, and taxpayers about universities issuing bonds and going into debt when they have money in the bank."

The study estimates that allowing colleges and universities to borrow using tax-exempt debt will cost the federal government about \$5.5-billion in forgone revenue in 2010.

"Issuing bonds costs money on interest and management fees," Senator Grassley, a Republican from Iowa, said in his statement. "Does the expense of debt service take money away from student aid or academic service? Do bond issuances occur even as universities raise tuition and build investment assets?"

It is unclear whether the senator, who is the senior minority member of the Senate Finance Committee, intends to propose any changes in law in response to the report. In the statement he said, "These are further questions to explore."

Current law already restricts colleges and other organizations from directly profiting from their tax-exempt bond issues, or tax arbitrage, said Charles A. Samuels, a lawyer for the National Association of Health and Educational Facilities Finance Authorities, a group of organizations that help private colleges issue bonds. To avoid tax arbitrage, a college that raises money from tax-exempt bonds can reinvest it only temporarily, and even then only in investments earning about the same as the cost of the debt. ■

"Does the expense of debt service take money away from student aid or academic service?"

Court Appears Split in Case Involving Christian Student Group

The U.S. Supreme Court heard oral arguments in April in a case focused on whether a Christian law students' group has a right to exclude people who engage in homosexual behavior.

The justices appeared deeply split—not just in their interpretation of the law, but in their understanding of the key facts in the dispute.

Many higher-education lawyers are closely watching the case. It pits the Christian Legal Society against the University of California's Hastings College of the Law. The court could issue a decision that would force institutions to rewrite nondiscrimination policies to let religious or political student groups reject potential members based on their religious beliefs or sexual practices.

During the oral arguments, several members of the court's conservative majority expressed sympathy with the Christian Legal Society's argument that the law school's requirement that student groups be open to all infringes on the constitutional right of students to assemble based on religion or viewpoint. The court's liberal

members seemed supportive of the law school's argument that it has an interest in prohibiting officially recognized student organizations from discriminating against gay and lesbian students, regardless of the groups' motives.

Justices on both sides of the court's ideological divide expressed uncertainty about the exact nature and impact of the policy they were being asked to consider, because of remaining disagreements between the parties involved over the basic facts of the case.

That confusion was seen as offering hope to Hastings, which had discouraged the court from taking up the case. It has accused the Legal Society's lawyers of distorting the record of the case to make law school's policies seem more hostile to religious groups than they had been depicted to be when they were upheld by lower courts.

Considering the court's ideologically conservative tilt, however, many legal observers believe the likeliest outcome is a ruling in favor of the Christian Legal Society, a national organization that excludes gay men, lesbians, and others whose behavior it regards as sexually immoral. ■

Deep Tuition Discounts May Not Spell Financial Doom

Many colleges have taken a whack at their sticker prices with heavy tuition “discounts”—knocking off big dollar amounts with institutional grants to get students in the door.

DePauw University, for example, discounted 59 percent of the total tuition it charged last fall’s incoming class. So while the small liberal-arts university charges about \$33,000 in tuition and fees, it doles out enough aid to cover all but 41 percent of that amount.

STUDENT AID

The university’s discount rate far exceeds the average among private colleges, which hit a record of 41.8 percent in 2008, according to the National Association of College and University Business Officers. The growing financial-aid expenses have led to hand-wringing in higher education and the news media. The arms-race approach to attracting students may not be sustainable, some experts say.

But does heavy discounting mean trouble for an institution’s financial health? When a college discounts more than half of its tuition, is it in a fiscal death spiral? The answer, many experts say, is not necessarily.

A more valuable financial indicator is net tuition revenue—total gross tuition minus grant aid. To get a better idea of how a college is faring, experts say, look at how much tuition money it is adding to the operating budget, whether that amount is increasing, and how it compares with the cost of educating students.

Heavy discounting can pay off as a short-term tactic if it’s part of a strategic enrollment plan and accompanied by good marketing. Another key, if more students enroll, is whether the college can handle growth without having to build new facilities and hire more professors.

In October, Moody’s Investors Service, which rates colleges’ debt, issued a report that questioned DePauw’s fiscal stability. **But Moody’s said one crucial number was moving in the right direction for DePauw: a 28-percent increase in net tuition per student over the last five years.** As long as more tuition money is flowing toward the university’s budget, high discounting might not be a problem. And DePauw has the capacity to handle this year’s large incoming class, university officials say, and can discount less in coming years.

DePauw’s 59-percent rate is “not where you want to be,” acknowledges Christopher J. Wells, the university’s vice president for communications and strategic initiatives. He expects that the university will decrease that rate and that future classes will pay a bigger share of the sticker price. “We’ve got some indication that we’re leaving money on the table.”

Discounting took off in the 1990s and is now the norm for both private and public colleges. However, pri-

vate institutions award 64 percent of all annual grant aid in the four-year sector, according to Nacubo, despite educating about 30 percent of undergraduates.

Discounting can serve worthy goals in addition to filling seats. Most notably, the practice can be used to increase diversity or to draw students with special skills, like musicians. However, some research suggests that, on an industrywide basis, discounting may actually freeze out more lower-income students, who are more sensitive to sticker shock and not as likely to receive merit aid. ■

Black Graduates Owe More Than Asian, Hispanic or White Graduates

Many students graduate with manageable debt or no education loans. But almost 17 percent of graduates in 2008 borrowed \$30,500 or more to get their bachelor’s degrees.

The students who borrow the most are disproportionately black, and are more likely to have attended a private nonprofit or for-profit college than a public four-year college. **About two-thirds of all those who received a bachelor’s degree graduated with some amount of loan debt.**

That analysis comes from the College Board Advocacy & Policy Center, based on data from 2007-8 graduates in the National Postsecondary Student Aid Study. About 25 percent of all college-degree recipients graduated with at least \$24,600 in debt, and 10 percent graduated with at least \$39,300, the study found.

Debt levels at graduation among financially dependent students do not correlate to those students’ family income, said Sandy Baum and Patricia Steele, who wrote the report of the study. “It’s actually middle-income students who are slightly more likely than others to have high levels of debt,” Ms. Baum said.

She said, however, that it would be difficult to pinpoint exactly why that is so. Several factors, including the types of institutions that students from middle-income families choose to attend, could contribute to their higher debt.

Black students were more likely than Asians, whites, and Hispanics to have high debt levels, the study found. Only 19 percent of black students graduated with no debt. The percentage of debt-free graduates from other racial groups ranged from 33 for Hispanic students to 40 percent for Asian students.

About 27 percent of all black students graduated with at least \$30,500 in student-loan debt, while the portion of students with that level of debt ranged from 9 percent to 16 percent for other races. ■

Trustees Urged to Consider Internal Candidates as Leaders

Colleges hurt themselves by not thinking seriously about internal candidates as possible successors to their presidents.

And boards should spend more time fostering relationships with professors.

Those were among the messages delivered at the annual meeting of the Association of Governing Boards of Universities and Colleges.

GOVERNANCE “We have a bias against internal candidates,” said Rita Bornstein, president emerita of Rollins College and an expert on the presidency. “There’s a liability of familiarity.”

As a result, she said, many colleges are training grounds for presidents but pass up qualified leaders on their own campuses. In her 14 years as president at Rollins, Ms. Bornstein said, six administrators left to be presidents at other institutions.

Insiders generally do better as presidents, she said, citing data showing that they serve longer terms. Another benefit of hiring internally is that colleges can eliminate a national search.

Governing boards and presidents should do more to identify possible future presidents early, including faculty-senate members and lower-level administrators, Ms. Bornstein said. And they should work with and encourage those budding leaders.

Look Beyond Alumni for Governing-Board Members, Study Suggests

Alumni are common fixtures on college governing boards. They are better prepared to be trustees, the conventional wisdom holds, because they understand their alma mater’s culture.

A new study contradicts that notion, finding that alumni are no more prepared to serve on boards than are their colleagues who attended college elsewhere.

The study analyzed data from a 2006 survey of trustees conducted by *The Chronicle of Higher Education*. The new analysis found that, among the sample of 1,500 trustees at 1,000 colleges, the 58 percent who were alumni reported feeling no better prepared to handle important board issues such as dealing with the president, tackling budgets, and working on strategic planning.

Nathan F. Harris, a graduate research assistant at the University of Michigan’s School of Education, wrote the report, “Ready to Serve? Examining the Relationship Between Trustee Preparedness and Trustee Characteristics.” **He said his findings suggest that some colleges pass up quality trustee candidates because of a false assumption that alumni have a leg up on other potential board members.**

Not everyone attending the session agreed with Ms. Bornstein. One audience member said national searches helped colleges identify minority candidates, while another said finding a future president among campus administrators sometimes isn’t feasible.

Michael Robertson, a professor of English at the College of New Jersey, said during the meeting that he came from an “exotic environment”— one where “board and faculty relations are good.”

The college’s president, R. Barbara Gitenstein, who appeared with him on a panel, agreed with his assessment. **Both said that good communications between trustees and professors were the reason for that healthy relationship.**

Too often, Mr. Robertson said, trustees belittle professors, repeating commonly heard generalizations, like the one that compares trying to get consensus among faculty members with “herding cats.”

That disrespect can go both ways, said Mr. Robertson. He said professors often think of trustees as “suits” who care only about the bottom line. “Trash talking,” he said, “is poisonous to shared governance.” Making good decisions together requires mutual respect, the panelists agreed.

“Listen to what’s being said,” Ms. Gitenstein said, addressing both sides of the faculty-board divide. “Don’t assume the negative.” ■

Rita Bornstein, president emerita of Rollins College, agrees. **Alumni trustees can suffer from “blind loyalty,”** she says, and that can cause problems for a board. “They tend to live in the past,” she says, “and tend to be rather insular.”

Ms. Bornstein stresses that alumni can make excellent trustees, and their potential shortcomings are the result of good intentions. But she says **boards would do better to seek out a diverse set of trustees**, with their alma maters being part of the mix along with ethnic, age, and gender diversity.

Trustees working in the corporate sphere reported lower levels of preparedness than those working in education, Mr. Harris found. A common assumption is that “we need captains of industry to be on our boards,” he said. That may be true, but “not any more so than people working in education.”

Mr. Harris cautioned that the data he used had limitations, including that trustees rated themselves in the survey. He said research over all is sparse on the effectiveness of boards, and that more work needs to be done to help trustees learn how to do their jobs. ■

Career-Service Offices Help Both Seniors and Alumni

As graduation nears, college career centers are under pressure to help not only the Class of 2010 navigate the tight job market, but also graduates of 2009—and sometimes earlier years—who are still unemployed.

Many recent alumni are either unemployed, underemployed, or in positions that do not match their qualifications or interests. In response, students and alumni alike are seeking advice in greater numbers. Colleges are offering more workshops, career fairs, and field trips for current students. **And they are extending the amount of time that recent alumni can get access to job-search tools.**

STUDENTS

At the University of Dayton, about 15 percent of career-service appointments are with alumni seeking jobs, says Jason C. Eckert, director of career services. That is up from about 10 percent before the recession.

“That’s also, unfortunately, complicating the job search for the Class of 2010,” Mr. Eckert says, “because not only are they competing against other university graduates, but they are also competing with young alumni who did not achieve the success they were hoping for upon college graduation.”

A recent survey of 177 employers by the National Association of Colleges and Employers found that employers have 5.3 percent more job opportunities for this year’s

college graduates than they did last year—positions that could potentially be filled by last year’s graduates.

At Dayton, graduating seniors and those from the Class of 2009 generally need the same types of assistance. The university’s 12 career-service staff members typically give advice on improving résumés and cover letters, and help students and alumni to network on Web sites like LinkedIn and Twitter.

Dayton also developed a five-part plan in the past academic year: Add job-search workshops, cultivate partnerships with small businesses, help students learn about social networking, establish an employer advisory board, and add a career fair in the spring, when employers can better gauge how many people they should hire.

Bentley University, in Waltham, Mass., will help students and alumni for as long as necessary. “We offer lifetime career services,” says Susan S. Brennan, managing director of career services at the college.

Those services include a biweekly job-market newsletter that more than 1,300 alumni subscribe to; biweekly career workshops, called the Bentley Success Network; and a career-service Web site called BentleyLink, on which jobs are posted for students and alumni. **The number of alumni using career services has increased significantly since the campus career-service center began offering the new tools.** ■

Transfer Students Are Especially Important for Some Colleges

About a third of all college students start at one institution and end up at another. On many campuses they are a crucial part of the enrollment picture. And some colleges expect to rely more heavily on transfer students to fill their classes in the coming years.

That picture comes from a report by the National Association for College Admission Counseling.

Nationally, the average acceptance rate for transfer students was 64 percent in the fall of 2006, compared with 69 percent for first-year students, says the report. On average, colleges enrolled 64 percent of the transfer students they admitted, compared with 42 percent of the first-year students who received acceptances.

Jon Boeckenstedt, associate vice president for enrollment policy and planning at DePaul University, has thought a lot about the needs of transfer students over the years. In the current academic year, the university had 7,235 transfer applicants and enrolled 2,526.

In a recent interview Mr. Boeckenstedt talked about how his large university tries to maintain a “transfer friendly” admissions process. Excerpts:

Q. *How do transfer students fit into your overall enrollment operation?*

A. We consider it an offshoot of our mission. Transfer students bring a lot to the classroom, to the community. It’s a big part of who we are. There are a lot of students who decide for themselves that it’s better geographically or economically to start at a community college and transfer in later.

Q. *In general, what’s different about a transfer applicant and a first-year applicant, from an enrollment perspective?*

A. First of all, freshmen follow a fairly lockstep process. We know when they apply. A transfer may come in at any term, including the summer. They may have been at one or two places before coming to DePaul, and they may switch back and forth between part-time or full-time.

Q. *What’s something you’ve learned about working with transfer students over the years?*

A. Whereas freshmen are looking for fit and a lot of softer or more nebulous elements of finding the perfect place, transfers, in general, are asking two, maybe three questions. How will my credits transfer? How long is it going to take me to finish my degree? And what is it going to cost me? They’re very transactional in that sense. So you need to be able to give students answers. ■

An Expert Offers Tips to Improve Presidential Job Reviews

How can governing boards improve evaluations of the performance of college presidents?

That's the topic of a new book by Richard L. Morrill, president of the Teagle Foundation. He draws on two decades of experience in college presidencies.

In *Assessing Presidential Effectiveness* (AGB Press), Mr. Morrill writes that a good performance review can help improve the work of both presi-

dents and trustees.

Excerpts from an interview with Mr. Morrill:

Q. *Are governing boards doing a good job of evaluating presidents?*

A. Boards are becoming more focused and conscientious about it. It's also clear that several of the cases that have made it into the public eye reveal that, certainly in the past, boards have found themselves in pretty deep water and in trouble because they had not systematized their methods of evaluation, and a lot of the decision making ended up in the hands of a couple of trustees. And when trouble arrives, that proves to be a very dangerous practice.

Q. *How can they improve?*

A. It's a question of having a process with some kind of predictability, discipline, and fairness. And as simple as that sounds, board members obviously are lay people who are giving the time on a volunteer basis. Board mem-

bers are a step removed from the day-to-day activities of a university, and they don't always have systematic interactions with a cross section of the campus. So they really do have to work at it, and develop a disciplined process, in order for it to be effective.

Q. *How do corporate-CEO assessments differ?*

A. There is a very large difference, and that is, in the corporate world, you have a much clearer line of understood authority. Power is vested, clearly, in the chief executive, particularly the power to hire and fire. When you move into the university world, you find a difference because there's so much shared decision making. And then, often, the president is more of an observer than an actor.

Q. *Can a good review process help trustees in their jobs?*

A. Number one, there is now a fundamental, clear, formal responsibility to do it. Beyond that, it's my experience that an effective presidential assessment really does take the board into a lot of dimensions of university and college life, at a deeper level than they otherwise might arrive at. You get inside the strategy process. You get to see how the president handles controversial questions. You see more clearly the strengths and weaknesses of the president's personal attributes and ways of relating to other people. **So it really gives you a perch from which to understand a lot of the dynamics of organizational life, that otherwise you often only get secondhand or in a distorted form.** ■

IN BRIEF: THE FACULTY

A recent state law in Texas requires professors to post specific, detailed information about their classroom assignments, curricula vitae, department budgets, and the results of student evaluations.

A conservative group whose administrators have close ties to Gov. Rick Perry lobbied for the law, saying it offers important "consumer protection." Opponents counter that it has created an expensive and time-consuming burden and offers little benefit to the public.

Beginning this fall, universities will have to post online a syllabus for every undergraduate course, including major assignments and examinations, reading lists, and course descriptions.

The law has caught the attention of conservative policy groups outside of Texas. George Leef, director of research at the John William Pope Center

for Higher Education Policy in Raleigh, N.C., said he would like to see other states adopt the Texas approach.

Opponents say the law will invite political interference, and that one of its requirements—posting online students' evaluations of professors—could encourage grade inflation and prompt some students to choose professors and classes that look easy.

More than four out of every five professors use social media. And more than half of professors use tools like video, blogs, podcasts, and wikis in their classes.

Those are some of the findings of a national survey of nearly 1,000 faculty members by Pearson, the publisher.

But don't picture a nation of professors asking students to tweet in class. Only about 10 percent or 12 percent of survey responses represent "active"

uses of social-media tools, meaning professors expecting students to post or comment on or create something, said Jeff Seaman, co-director of the Babson Survey Research Group, which conducted the study with Pearson and New Marketing Labs. He contrasted that with "passive" activities like reading or watching a video.

Among the report's other findings:

■ Almost one-quarter of professors have accounts on four or more social networks, and 59 percent have more than one account.

■ Nearly one-third of faculty members use social networks to communicate with their peers, and more than 30 percent use them to communicate with students.

■ Professors with more than 20 years of teaching experience use social media only slightly less than do their younger peers.

Alumni Giving at Public Colleges: Surprising Trade-Offs

Public universities that increase their selectivity do not necessarily find themselves producing graduates who can donate more to their alma maters.

But winning on the football field and turning away low-income students does appear to have a financial pay-off in terms of alumni giving for state universities.

Those findings come from two studies that differ from much other research on alumni giving in that they focus on the public sector and examine large numbers of institutions.

FUND RAISING

The study on changes in selectivity was conducted by Sean A. Simone, who did the research as a doctoral student at the University of Maryland at College Park and now works as a postdoctoral fellow at the National Center for Education Statistics, and Marvin A. Titus, an assistant professor of higher education at Maryland.

The two researchers examined data from 147 public research universities over the course of 11 fiscal years, from 1996-97 through 2006-7. They based their assessments of the institutions' selectivity on the SAT scores of the entering freshman classes of the colleges studied (converting ACT scores to their SAT equivalent where necessary).

When other factors were taken into account, the SAT scores of incoming classes did not serve to predict the average amount each student donated to their institution after graduating. Becoming more selective did not, in itself, cause the institutions to reap more alumni support.

Researchers found no evidence that giving to flagship universities was significantly affected by state politics

Their finding "challenges a major paradigm in the literature regarding the influence of prestige on alumni giving," they said. But because they examined only public research universities, they urged caution in applying their

findings to other sectors of higher education.

In the second study, three researchers at the University of Minnesota looked at 67 public flagship universities and 23 variables that could explain differences in their rates of alumni-giving participation.

Their analysis failed to find any evidence that some flagships had a "giving tradition" that, in itself, would explain the willingness of their alumni to contribute to their alma mater. Neither did they find evidence that alumni giving to flagship universities was significantly affected by state politics or the amount state governments appropriated to such institutions.

But the researchers—David J. Weerts, director of Minnesota's Postsecondary Education Research Institute,

and Thomas Sanford and Olena Glushko, both doctoral students and institute research assistants—did find a negative correlation between low-income enrollments and alumni giving. **Simply put, the more Pell Grant recipients a flagship enrolled, the smaller the share of its alumni who donated.**

Enrollment size was also found by the study to be negatively correlated with alumni-giving rates. And winning athletic teams were found to be positively correlated with alumni generosity. Those flagship institutions with the highest alumni-giving participation in 2004 were the same institutions with football teams that finished in the top 25 in the Associated Press rankings most frequently from 1994 to 2004.

The Minnesota researchers cautioned that, because their study did not look at giving rates over time, colleges should not assume that certain tweaks in their policies would automatically lead to higher giving rates. ■

2 Companies in Bankruptcy Ask Yale to Refund Donations

The shaky economy has already made it difficult for colleges to raise money. Now some bankrupt companies are renegeing on pledges or trying to take back gifts they made in better times.

Two companies have demanded multimillion-dollar refunds from Yale University recently. **Industrial Enterprises of America, which is going through bankruptcy proceedings, asked Yale to return \$1.5-million from a stock donation** given by the company's former chief executive, a Yale alumnus.

The company argues that the donor, John Mazzuto, who is under investigation by the Securities and Exchange Commission and the Manhattan district attorney's office for alleged insider trading and fraud, had no right to the shares he donated. In a statement, the university said Mr. Mazzuto disputes that assertion.

In a second case, a trustee appointed to liquidate the consulting firm BearingPoint Inc. filed documents in bankruptcy court in Manhattan seeking to recover \$6-million the company had donated to name facilities and endow a professorship in Yale's School of Management, and an additional \$2.1-million it paid for the university to provide executive training to the firm's employees.

Thomas P. Conroy, a Yale spokesman, said of the endowed professorship and training arrangement that the university "has fully honored both agreements and relied on BearingPoint's contractual commitment." "Yale believes that the complaint is not meritorious and intends to oppose the trustee's efforts to undo BearingPoint's performance of its commitments to Yale," he said. ■

Broad-Based Athletics Departments Face Uncertain Future

Dozens of colleges and universities have had to cut athletics teams recently. The sports hardest hit have been those that don't make money. Of those, the men's non-revenue teams—tennis, swimming, wrestling, golf—have suffered most.

"Other than the death or loss of a student, this is the most painful thing you can go through," said Jeff Bourne, athletic director at James Madison University. He presided over the elimination of 10 sports at James Madison in 2006. For many broad-based programs that field more than 20 sports—James Madison, for one, had 28 teams before the cuts—the prospect of scaling back has become ever more real.

In April, the University of California at Davis announced it would cut four of its 27 sports—women's rowing, wrestling, men's swimming and diving, and men's track and field. Moravian College, a Division III institution in Pennsylvania, is dropping its men's and women's lacrosse teams.

It's not just the modest programs that are suffering: Last year, mighty Stanford, with 35 sports, a \$75-million budget, and a lengthy list of championships, said it would consider scaling back.

Amy P. Perko, executive director of the Knight Commission on Intercollegiate Athletics, said college sports is like an airplane, with the marquee programs stretching out in first class while "everyone else" scrambles for a seat in coach—if they're lucky.

Ms. Perko said wrestlers, for instance, should not ask female athletes, "Why are you getting on the plane and I'm not?" Instead, she suggested, they should ask, "Why is first class expanding so much?" "There should be room for everybody," Ms. Perko said.

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Two of the biggest athletics conferences in the country offer contrasting models for how to juggle football and a wide array of sports—or not.

Members of the Southeastern Conference, home to some of the most storied football programs, tend to offer fewer teams than, for instance, the Big Ten Conference. Both leagues are wealthy and highly competitive. But if a Big Ten program spreads its money across 25 sports, say, while an SEC program doles it out to 19, then the Big Ten is at a disadvantage because the SEC program spends more per team, said John J. Cheslock, an associate professor of higher education at Pennsylvania State University at University Park.

But some broad-based athletics programs may flourish during the recession. In Division II, where fewer athletes are on scholarship, and in Division III, which doesn't offer athletics scholarships, it's a different story, said Mr. Cheslock. At those institutions, particularly the ones that rely heavily on tuition, a wide-ranging athletics program can be an effective way of bringing in students who can pay full freight. ■

Education Department Drops Bush-Era Policy on Title IX

The U.S. Department of Education has withdrawn a controversial 2005 policy that allows colleges to comply with a key federal gender-equity law by using electronic surveys to gauge female students' interest in playing sports.

The reversal marks a victory for advocates of gender equity in sports who viewed the policy as a damaging loophole to Title IX of the Education Amendments of 1972, which prohibits sex discrimination at institutions that receive federal funds.

The change in policy was set forth in a letter from the department's Office for Civil Rights. **The office states that survey results alone are not sufficient evidence of a lack of student interest in sports.** It provides recommendations for ways in which colleges can use surveys as one of many indicators to assess the athletic interests of students, particularly women.

For decades, the department has used a three-part test to determine whether colleges are in compliance with Title IX. Under that test, a college must meet one of three requirements: have the proportion of female athletes be the same as the proportion of female students; have a history and continued practice of expanding athletics programs for women; or demonstrate that the women's athletic program fully and effectively accommodates the interest of current and prospective female students. The 2005 policy dealt with the third element of the test. ■