HIGHER EDUCATION ACCOUNTABILITY

ROBERT KELCHEN

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ACKNOWLEDGMENTS

When Greg Britton of Johns Hopkins University Press emailed me out of the blue during my first year as an assistant professor asking if I had any ideas for a book, I was quite surprised for two reasons. First, I am a quantitative researcher who normally writes journal articles, so a book felt like something that was completely out of reach. Second, I was less than a year removed from finishing my doctorate at the University of Wisconsin–Madison. Why would anyone be reaching out to someone like me at this point? Nevertheless, I had an enjoyable conversation with Greg, which concluded with me telling him that I didn't have any plans to write a book—but I would let him know if I ever did.

One year later, the idea for this book came to me about five miles into a run. Several of my ongoing research projects were focused on how colleges reacted to policies and practices such as state performance funding systems, financial responsibility scores from the federal government, and college rankings. I then realized that all of these projects covered different aspects of higher education accountability—and that there were not any books that sufficiently covered the current landscape of intertwined accountability policies and practices put in place by a wide range of stakeholders. I talked over the idea with Greg and about the parameters of the book. He seemed excited and the book project was born.

I would particularly like to thank my graduate assistant, Olga Komissarova, for her assistance in preparing portions of the manuscript and for her ability to put up with interacting with me on a regular basis. I appreciate the helpful and candid comments from Martin Finkelstein, Marie Gioiosa, Ethan Hutt, Kevin Majewski, Ben Miller, and Sarah Pingel on different chapters of the book, as well as the useful feedback from several anonymous reviewers. These individuals helped to substantially strengthen the quality of the book. I would also like to thank the large number of people who took time to answer one of my many requests for data sources or existing research on a topic via email or Twitter.

I greatly benefited from my students and faculty colleagues at Seton Hall

University. Portions of these chapters have their roots in lecture notes that I prepared for my graduate-level courses in higher education finance and organization and governance in higher education. Questions and comments from my students over the past four years have helped me clarify my thinking around accountability-related topics and how to explain them to an audience of individuals who may not have had a great deal of experience thinking about these topics. My fellow faculty members, including Rong Chen, Martin Finkelstein, Eunyoung Kim, Carolyn Sattin-Bajaj, Luke Stedrak, Joe Stetar, and Elaine Walker, heard me talk way too much about this project over the last several years and offered consistent encouragement and support.

Like most academics, I am a product of my scholarly background. Two individuals deserve special recognition—Sara Goldrick-Rab of Temple University and Doug Harris of Tulane University, who were my mentors when I was in graduate school. Sara taught me the nuts and bolts of how the student financial aid system works (or in some cases doesn't work). She also encouraged me to take a greater role as a public-facing scholar, which has been incredibly beneficial to my career and helped to make this book a possibility. I learned a great deal from Doug about how accountability works in K–12 education, which got me to thinking about the analogs in higher education. A paper that I began in one of Doug's classes ultimately led to me being asked to take over the *Washington Monthly* college rankings, which has helped give me another view of the landscape of higher education accountability.

On a personal note, I would like to thank my wife, Emily, for her love and consistent support throughout this process. I grew close to her when she was the student representative on our alma mater's board of governors and I was in student government. Our shared experiences provided me with helpful insights on how the political appointment process works on public colleges' governing boards. I would also like to thank the rest of my family for their encouragement and providing support as I kept plugging away at this project.

ABBREVIATIONS

AACSB	Association to Advance Collegiate Schools of Business
AALE	American Academy for Liberal Education
AAU	Association of American Universities
AAUP	American Association of University Professors
ABA	American Bar Association
ABET	Accrediting Board for Engineering and Technology
ACBSP	Accreditation Council for Business Schools and Programs
ACCJC	Accrediting Commission for Community and Junior Colleges
ACE	American Council on Education
ACICS	Accrediting Council for Independent Colleges and Schools
ACTA	American Council of Trustees and Alumni
AGB	Association of Governing Boards of Universities and Colleges
APLU	Association of Public and Land-Grant Universities
APSCU	Association of Private Sector Colleges and Universities
BEOG	Basic Educational Opportunity Grant
CCSF	City College of San Francisco
CDR	cohort default rate
CHEA	Council for Higher Education Accreditation
COPA	Council on Postsecondary Accreditation
FAFSA	Free Application for Federal Student Aid
FTE	full-time equivalent

GRAD	Granting Resources and Autonomies for Diplomas Act
HBCUs	historically black colleges and universities
HCM	heightened cash monitoring
HEA	Higher Education Act
IPEDS	Integrated Postsecondary Education Data System
JTPA	Job Training Partnership Act
NACIQI	National Advisory Committee on Institutional Quality and Integrity
NAICU	National Association of Independent Colleges and Universities
NASFAA	National Association of Student Financial Aid Administrators
NCAA	National Collegiate Athletic Association
NCES	National Center for Education Statistics
NCLB	No Child Left Behind Act
NC-SARA	National Council for State Authorization Reciprocity Agreements
NLRB	National Labor Relations Board
OECD	Organisation for Economic Co-operation and Development
PBF	performance-based funding
PIRS	Postsecondary Institution Ratings System
RCM	responsibility center management
SACS	Southern Association of Colleges and Schools
SHEEO	State Higher Education Executive Officers Association
STEM	science, technology, engineering, and math
TIAA	Teachers Insurance and Annuity Association of America
TRACS	Transnational Association of Christian Colleges and Schools
U-CAN	University and College Accountability

Higher Education Accountability

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The Rationale for Accountability in Higher Education

Increasing the college attainment rates of American adults has been a key public policy goal over the last several decades, particularly since the Great Recession. In 2008, the influential Bill & Melinda Gates and Lumina Foundations set ambitious goals for college attainment rates, with Gates seeking to double the percentage of low-income young adults earning a degree or certificate by age 26 (Gose, 2008) and Lumina setting a "big goal" of having 60% of adults with a postsecondary credential by 2025 (Hebel, 2009). This led President Barack Obama to set a goal in his first State of the Union address in 2009. He said that by 2020, America would have a higher percentage of its citizens with a college credential than any other country in the world (Hebel & Selingo, 2009).

America has substantially increased its educational attainment rates in recent years but has fallen short of these lofty goals. Just over 45% of American adults now have a degree or credential, up several percentage points in recent years but still falling short about 11 million people of meeting Lumina's 2025 goal (Matthews, 2016). The percentage of young adults between the ages of 25 and 34 with a college credential has increased by 11 percentage points since 1997, but America's rank among the 36 countries providing data to the Organisation for Economic Co-operation and Development (OECD) has fallen from approximately third to tenth during this period (OECD, 2016a).

The modest gains in educational attainment rates come at a time when having a postsecondary credential of some kind is more important than ever before. This is particularly the case as formal apprenticeship programs in vocational fields that lead to solid middle-class jobs without attending college are uncommon in the United States (Weber, 2014). Almost all of the net jobs that have been created since the end of the Great Recession have gone to people with at least some college education, with just 80,000 of the 11.6 million net jobs going to those with a high school diploma or less (Carnevale, Jayasundera, & Gulish, 2016). The economic and non-economic benefits of a college education are large and growing for the average student (e.g., Oreopoulos & Petronijevic, 2013), with particularly large returns for students who are relatively unlikely to attend college (Brand & Xie, 2010).

Although the benefits to a college education are on average substantial, there are widespread concerns about the value of higher education. A nationwide survey of adults with a bachelor's degree by Gallup and Purdue University (2015) found that 50% of all respondents strongly agreed that their education was "worth the cost."[1] Only 38% of students who graduated in the last ten years strongly agreed, while just 18% of the small percentage of students with more than $50,000 in student loan debt strongly agreed. Another nationwide survey of adults by the Pew Research Center showed that 57% of respondents said that colleges were not a good value for students, even as 86% of respondents who were college graduates said it was a worthwhile investment for them (Taylor et al., 2011). In a recent Public Agenda survey of adults, 42% of respondents indicated that a college degree was essential to economic success, down from 55% in 2008 and 2009 (Schleifer & Silliman, 2016).

Higher education is certainly a risky investment that does not always pay off for students and their families. Newly released data from the U.S. Department of Education's College Scorecard showed that about 28% of students who started college in 2002 and 2003 and received federal financial aid earned less than $25,000 per year in 2012 (the typical wage of a young adult without any college experience). Even among students who completed a bachelor's degree, the bottom 10% of earners in any individual major earned less than the top 10% of students with no college experience (Hershbein & Kearney, 2014).

One of the reasons that college is an uncertain investment is the risk of dropping out, even though there are economic returns to completing some college without earning a credential (Kane & Rouse, 1995). Although 89% of first-time students at four-year colleges expect to graduate within four years (Eagan et al., 2016), just 58% of first-time students at four-year public colleges and 69% of students at four-year private nonprofit colleges earn a bachelor's degree within six years. For students starting at two-year colleges, completion rates are even lower (Shapiro et al., 2015). Students who drop out of college are far more likely to default on their student loan obligations, even though their debt burdens are relatively small (Dynarski, 2015; Nguyen, 2012).

Rising Accountability Pressures

These concerns about the value of higher education have led to numerous pushes by different stakeholders to hold colleges accountable for their outcomes. Federal and state governments, accrediting agencies, the private sector, and even faculty, staff, and students within a given college are all pushing for colleges to improve their performance without providing additional resources. There are three main reasons that colleges are facing stronger accountability pressures than they were in the past, and these are discussed in the following section.

REASON 1: THE PRICE TAG OF A COLLEGE EDUCATION HAS STEADILY INCREASED

Tuition and fees at both public and private colleges have consistently increased at rates far higher than inflation. As shown in figure I.1, real (inflation-adjusted) tuition and fees rose by about 140% at private nonprofit colleges and community colleges between the 1985–86 and 2015–16 academic years and by 223% at four-year public colleges. During the same period, real household incomes rose by just 5% for the lowest income quintile and 20% for the middle quintile, threatening college affordability for many students from modest economic backgrounds (Ma et al., 2016). Grant aid also in-

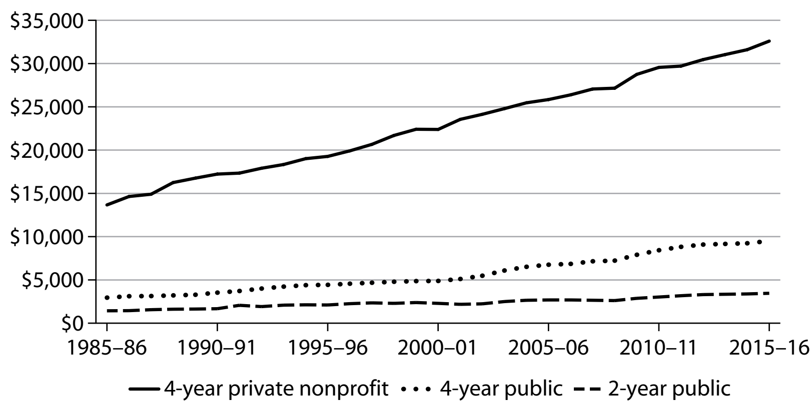

FIGURE I.1. Trends in tuition and fees by sector. *Note*: Amounts are adjusted for inflation. *Source*: Ma et al., 2016.

creased during this period, but not enough to keep up with tuition increases.[2] Between the 1999–2000 and 2011–12 academic years, the average net price of attendance (defined as the total cost of attendance less all grant aid received) increased by between 12% and 23% across all sectors of nonprofit higher education (author's calculations using National Postsecondary Student Aid Study data).

As a result of rising college prices, a higher percentage of students are borrowing more money to pay for college. Twenty-six percent of all students took out a loan to pay for college in the 1995–96 academic year, a number that rose to 42% by the 2011–12 academic year. The increase in borrowing rates was found across all sectors of nonprofit higher education, with the highest borrowing rates at private nonprofit colleges (63%) and the lowest rates at community colleges (18%) (Goldrick-Rab, Kelchen, & Houle, 2014). About 68% of students who earned a bachelor's degree in 2015 graduated with an average of about $30,000 in debt (Cochrane & Cheng, 2016). This is up from about 59% of graduates who borrowed an average of $23,000 (in today's dollars) in 2007, when I graduated college (Reed, 2008).

As both the percentage of borrowers and the amount borrowed per student have increased, total outstanding student loan debt has risen quickly over the past decade. Figure I.2 shows how the amount of student debt nearly tripled between 2005 ($445 billion) and 2016 ($1.26 trillion) after adjusting for inflation. Approximately 40% of this debt is held by graduate and professional students (Delisle, 2014), meaning that about $750 billion of total student loan debt is held by students who pursued an undergraduate education. Rising student loan debt has gotten the attention of policymak-

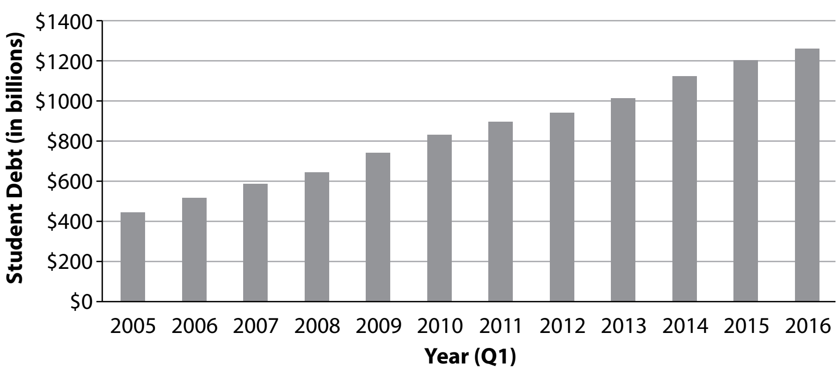

FIGURE I.2. Outstanding student loan debt. *Note*: Amounts are adjusted for inflation. *Source*: Scally & Lee, 2016.

ers and the public alike and is a key reason behind growing accountability pressures.

Reason 2: Public Funding for Higher Education Has Been Unable to Keep Up with Rising Prices

The United States currently spends a higher percentage of its overall wealth on higher education than any other OECD country, with 2.6% of its gross domestic product going toward public and private funding of colleges and universities (OECD, 2016b). But the percentage of higher education funding coming from public sources has steadily decreased over time as prices have increased faster than governmental funding and enrollment increased. State and local support for public colleges and universities increased by 8% between 1990 and 2015 after adjusting for inflation, but this was far below a 43% increase in full-time equivalent enrollment (Carlson, 2016). Higher education has traditionally served as a "balance wheel" in state budgets as states face pressures to balance their budgets while funding other areas (such as K–12 education and Medicaid) that are unable to generate their own revenue (e.g., Delaney & Doyle, 2011). As a result, the percentage of state budgets going to higher education reached its lowest level in 2015 since at least 1990 (Carlson, 2016).

At the federal level, Pell Grant expenditures for students from modest financial backgrounds rose from $9 billion in inflation-adjusted dollars in 1997 to $17 billion in 2007 and nearly $39 billion in 2010 before falling back to $30 billion by 2014 (U.S. Department of Education, 2016). Yet this sizable increase in Pell Grant funding did little to bring down the price tag for many students, leading President Obama to publicly call out colleges in his 2012 State of the Union address for their inability to keep tuition low (Field, 2012). This served as a precursor to an ambitious, although relatively unsuccessful, accountability effort in Obama's second term as president. Even if federal financial aid does not increase under a Republican presidential administration, politicians will continue to express frustration about colleges increasing their prices.

Reason 3: There Are Concerns about the Quality of American Higher Education

The American higher education system has long been seen as the envy of the world, and the prominence of its research universities in global college rankings along with the one million international students who choose to study in the United States each year (Redden, 2016) provide support for that assertion. Yet many Americans are skeptical that students are receiving a high-quality education, particularly in light of rising prices and slowly increasing graduation rates. These concerns were magnified after the release of two books that received national attention for questioning colleges' standards. Former Harvard president Derek Bok (2006) wrote *Our Underachieving Colleges*, in which he argued that colleges were doing a poor job of teaching core courses. Then sociologists Richard Arum and Josipa Roksa (2011) found in *Academically Adrift* that 45% of students did not see significant gains in reasoning and writing skills during their first two years of college; however, other research has challenged these authors' findings when considering all four years of a bachelor's degree program (Benjamin, 2013).

There is also a deeper set of concerns about what students are studying while in college that leads various stakeholders to push for control of the curriculum. For example, the American Council of Trustees and Alumni (2013), a group often viewed within the higher education community as being politically conservative, produced a guide for trustees called *Are They Learning?* that encouraged their membership to document student learning on core outcomes such as critical thinking and reasoning. Some faculty members and advocates more aligned with liberals have attempted to require all students to take a diversity course in order to broaden their understanding of the wider world. The University of California, Los Angeles, for example, voted in 2015 to include a diversity requirement after more than a decade of debate (Jaschik, 2015). Other stakeholders are pushing colleges to better prepare students for the workforce. In recent surveys, employers (Sidhu & Calderon, 2014), current college students (Hanover Research, 2016) and the general public (Gallup, 2016) have all expressed concerns about the utility of the college curriculum.

Many people outside of higher education view colleges as inefficient, bloated bureaucracies where faculty and administrators conspire to shift much of the workload to poorly paid adjuncts, teaching assistants, or entry-level staff members. University professors were recently ranked by a career services website as having the least stressful jobs (Kensing, 2013), although faculty members vociferously protested while noting their high workloads and stress levels (Jaschik, 2013). This has led for calls from legislators and advocacy groups to increase teaching loads or reform tenure (e.g., Helfing, 2015; Ludwig, 2011; Stancill, 2015). Policymakers and the public have also expressed concern about the growth in the number of administrators and staff members at colleges (Ginsberg, 2011) as well as the proliferation of high-end amenities such as recreation centers and climbing walls at selective four-year colleges that seek to attract wealthy students (Rubin, 2014; Woodhouse, 2015).

Framework of This Book

As a result of these concerns about the value and quality of higher education, a wide array of stakeholders has placed additional pressure on colleges and universities in an effort to hold them accountable for their outcomes. These accountability policies and practices can take a wide range of forms at different types of colleges. Accountability systems can be informal in nature, such as how students and their families may react to changes in a college's reputation after reading a news article. Formal and increasingly high-stakes systems, such as tying state or federal funding to meeting defined performance metrics, are also becoming increasingly popular. Yet many of these systems are having relatively limited effects on improving student outcomes and are creating incentives for colleges to operate in sometimes undesirable ways.

Most accountability efforts in higher education are viewed in isolation, in spite of colleges having to respond to multiple pressures at once. For example, a public research university may have to balance their responses to accreditors' demands for better student learning outcomes, state performance funding systems tied to the number of degrees awarded, federal requirements to provide information on a wide variety of outcomes, students and faculty pushing for additional transparency regarding budgeting, and alumni pressures to move up in the *U.S. News & World Report* college rankings. Colleges may strategically prioritize responding to certain accountability systems based on the amount of money at stake and whether the system is aligned with their mission and goals. Understanding how colleges must navigate a minefield of accountability pressures with often differing goals helps to explain why some accountability efforts are successful in changing colleges' behavior and why other efforts fail to have the desired effects.

In this book, I endeavor to cover the landscape of key accountability systems in American higher education. After discussing the theoretical underpinnings of accountability and how accountability systems have evolved into the systems that are present today, I detail the state of accountability from each of the key stakeholders before discussing lessons learned from these efforts. A brief outline of each of the chapters is below.

Chapter 1 delves into the theory behind the design of accountability systems in publicly funded organizations such as colleges and universities. Accountability policies generally follow a principal-agent relationship, in which the principal (for example, the federal or state government) tries to generate a set of desired outcomes from the agent (a college) using a set of rewards or sanctions designated in a performance contract. In this chapter, I draw upon several important theories from the field of public administration to explain how public-sector accountability policies are designed and why they may not be as effective as desired, including examples from other public-sector fields such as K–12 education and health care as well as higher education.

Chapter 2 discusses the history of higher education accountability in the United States, which dates back to the origins of the colonial colleges. I discuss the historical development of higher education accountability prior to the passage of the first federal Higher Education Act in 1965. Accountability pressures ebbed and flowed during the preceding centuries, with efforts to closely shape and track colleges' performance being interspersed with periods of relative autonomy. In some cases—such as the federal government's failed efforts to rate colleges in 1911—history has even repeated itself in recent years. Therefore, it is important to understand how the landscape of accountability has developed and changed over time as this has directly influenced how colleges operate today.

Chapter 3 focuses on the federal government's effort to hold colleges accountable using two different types of policies. The first type is a lower-stakes accountability system (such as the College Scorecard) that makes data available on a range of institutional, financial, and outcome metrics. The second set of federal accountability policies directly ties an accredited college's eligibility for student financial aid dollars to meeting a set of minimum quality metrics on areas such as financial stability and student loan default rates. These policies that affect federal financial aid—the lifeblood for much of American higher education—affect a relatively limited section of American higher education at this point, but a number of potential policy changes could make federal accountability policies more salient for a larger number of colleges.

Chapter 4 examines the landscape of accountability at the state level. State governments have traditionally exercised authority over public colleges by controlling appropriations, tuition and fees, or appointing members to governing or coordinating boards. A newer way to hold colleges accountable is through the use of performance-based funding policies that tie a portion of state appropriations to outcomes. Although about three dozen states have now adopted performance funding systems, the research on the effectiveness of performance-based funding policies shows modest effects at best, along with concerns about how colleges are responding to these systems in potentially undesirable ways.

Chapter 5 focuses on accreditation as a key form of accountability. Institutional accreditation began as a way for colleges to demonstrate a level of quality (as judged by a group of their peers) in order to separate themselves from institutions considered inferior. However, the federal government's decision to tie student financial aid eligibility to being accredited by a recognized agency has turned accreditation into a high-stakes proposition. I discuss the two main types of institutional accrediting bodies in existence, regional and national associations, as well as the landscape of program-level accrediting bodies. I also discuss some of the challenges the current accreditation system is facing, as colleges and policymakers alike are calling for changes to the current system.

Chapter 6 examines private-sector accountability policies (both formal and informal) and how they affect colleges' priorities and practices. The most basic form of accountability from the private sector is a college's reputation, as students and donors are less likely to consider a college that they believe to be of inferior quality or that has been the subject of a recent scandal. There are also more formal efforts to hold colleges accountable for their performance, with a large number of college rankings and ratings developing in recent years that affects the behavior of relatively selective colleges. I draw upon my experience as data editor for *Washington Monthly* magazine's college rankings to explain how rankings can push colleges to behave in ways that work both for and against their core missions of access, success, and educational quality.

Chapter 7 focuses on a type of accountability that is not often considered—internal accountability. This includes efforts stakeholders within a college (such as students, faculty, and staff) use to hold their own institution accountable. I discuss the effectiveness of these pressures and examine what can happen when institutional governance becomes dysfunctional due to internal disagreements or competing external pressures. Chapter 8 discusses ten lessons that have been learned from high-stakes accountability policies in higher education as well as other related areas such as K–12 education, health care, and public management. Here, I focus on how the interaction of various accountability pressures can affect the effectiveness of any given system. Finally, I close in chapter 9 by discussing the future of higher education accountability and highlighting five questions that are likely to influence the creation and expansion of accountability systems.

CHAPTER ONE

The Theoretical Underpinnings of Accountability

Colleges and universities are facing increased pressures from nearly all stakeholders to operate more efficiently and effectively. But these pressures are far from unique to higher education, with other publicly funded organizations such as K–12 education, health care providers, and government itself having faced similar calls to improve their performance since the 1970s (e.g., Box, 1999; Elmore, Abelman, & Fuhrman, 1996; Moynihan, 2008; National Commission on Excellence in Education, 1983). These pressures in higher education are relatively late in coming but are in many ways inevitable as college prices continue to rise and similar policies having been adopted in K–12 education (e.g., Deming & Figlio, 2016).

As colleges attempt to navigate a potential minefield of organizations trying to influence their actions, colleges' missions or strategic plans can come into conflict with various accountability systems. Consider a college dedicated to serving first-generation and low-income students. It may struggle to balance its mission with an accountability system that rewards colleges for graduation rates, as family income is a significant predictor of student success in college (e.g., Bailey & Dynarski, 2011). Or even if an accountability system is designed to reward colleges for encouraging social mobility, pressures from alumni or college ranking providers may make colleges consider which accountability pressures are the most important and which ones can be ignored.

In this chapter, I discuss the theoretical underpinnings of accountability policies and practices for publicly supported organizations such as colleges and universities. I begin with the general framework of how accountability systems are typically designed in order to encourage entities to prioritize certain outcomes. I then review the literature on public-sector accountability to help tackle five key questions that are likely to influence whether a given policy or practice is effective in inducing a college to change its behavior:

1. Can a college improve its outcomes given its available resources?
2. Can the outcomes of interest be measured effectively and efficiently?
3. Are the expected rewards or sanctions large enough to affect agents' behaviors?
4. Can a college influence the design of an accountability system?
5. Can the accountability system be gamed in an effort to improve outcomes without changing priorities or resource allocations?

How Accountability Policies Are Designed

The typical framework for an accountability model follows a principal-agent design (Spence & Zeckhauser, 1971), in which the principal (for example, the state or federal government) holds the agent (such as a college) accountable for their outcomes. In the classic model, the principal is paid for performing a task on behalf of the agent (Jensen & Meckling, 1976). An example of this would be a state government providing funding for a public college in exchange for the college meeting certain formal or informal performance benchmarks. But principal-agent models can also apply to private foundations or donors, who are increasingly demanding clear outcomes in exchange for their financial support (Benjamin, 2010).

This traditional principal-agent model is also an example of resource dependence theory (e.g., Aldrich & Pfeffer, 1976), in which agents that are dependent on resources from the principal will alter their priorities in order to match the principal's priorities. Yet resource dependence theory can also be applied to examples that are not directly financial in nature. An example of this is the *U.S. News & World Report* college rankings, which have been empirically shown to affect colleges' priorities, as I will discuss in more depth in chapter 6 (e.g., Bastedo & Bowman, 2011; Kim, 2015). Although these rankings do not directly result in additional money for colleges, the prestige resulting from the rankings has been shown to influence the behaviors of prospective students and their families (e.g., Alter & Reback, 2014; Bowman & Bastedo, 2009; Luca & Smith, 2013)—who can then provide financial resources to colleges.

Although the principal can typically set rewards or sanctions for the agent to receive conditional on performance, the agent has one important advantage in this situation. Agents such as colleges have far better information regarding their performance than the principal does—a situation known as asymmetric information (Levinthal, 1988). For example, while colleges are required to report average retention rates to governments and the public, most colleges have student-level information about progress to a degree that is far more detailed than what many principals can access. Additionally, colleges have information on performance before it is released to outside parties, giving them the opportunity to proactively respond in ways that make them look favorable.

The principal will develop a performance agreement to best suit its interests, knowing it has less information than the agent and that the same agreement may apply to multiple agents (Shavell, 1979). Principals can expend additional effort to monitor an agent's performance by requiring additional information disclosures or performing inspections, but these efforts are costly.[1] Monitoring efforts may also be productive only to a given point. Principal-agent models generally assume that tighter monitoring by the principal will improve effort, but crowding-out theory suggests that monitoring will reduce effort by lowering intrinsic motivation (Frey, 2012; Holmstrom, 1979; Laffont & Martimort, 2002). Research by Dickinson and Villeval (2008) has shown that the crowding-out effect outweighs the benefits of monitoring above a certain level, implying that the agent will always have an advantage if the principal optimally monitors performance.

Accountability in publicly funded organizations is often more complex than in privately funded organizations for two main reasons. The first reason is that while private-sector organizations may be accountable to shareholders and customers, colleges are accountable to multiple layers and types of government in addition to customers (students), taxpayers, and internal stakeholders such as faculty and staff (Steinberg, 2010; Van Puyvelde et al., 2012). Even within the government, these stakeholders may be sending mixed messages regarding priorities as legislators, regulatory agencies, and the executive branch pursue their own accountability goals as principals (Moe, 1984). Colleges then have to prioritize which pressures to respond to, requiring them to gather additional information about the external environment by using boundary-spanning personnel such as lobbyists and public relations staffers (e.g., Aldrich & Herker, 1977).

The second reason accountability in nonprofit organizations can be more complicated is the presence of individuals who are committed to the goals of the organization. As nonprofits tend to attract individuals who are more altruistic (Dur & Zoutenbier, 2014; Rose-Ackerman, 1996), these motivated agents (e.g., Dixit, 1999) may require a different type of oversight than at a typical firm with employees who are not as invested in the organization's mission. Organizational theorists such as Davis, Schoorman, and Donaldson