This transcript has been lightly edited

Emily Richmond: This is EWA Radio. Your guide to what's hot on the education reporting beat.

Welcome back to EWA Radio everyone. I'm public editor, Emily Richmond

Mikhail Zinshteyn: And I'm Mikhail Zinshteyn.

Richmond: There's no shortage of publications offering their own version of college rankings and now Money Magazine has jump into the fray. We get a chance to speak with their education reporter, Clark, who helped develop the new rankings, which focus on the return-on-investment factor of earning a degree from each particular institution.

Kim, welcome to EWA Radio.

Clark: Thanks for having me. This is a fulfillment of a lifetime dream.

Richmond: So let's just go right into this. The rankings, despite the various categories that you use to evaluate a school's overall value, is remarkably simple. Can you tell us a bit about what the ranking is telling the consumers?

Clark: Right. I used to work at US News & World Report where we did surveys of, "quality", "best college," which included the impressions of each college based on a survey of college presidents and more recently some surveys of high school counselors. But I moved to Money Magazine and of course we were interested much more in financial issues, so we looked at some of the more objective financial outcomes, such as do people pay back their student loans and what kind of salaries are they making after graduation -- and this has been made possible by new data sources such as PayScale, which didn't exist 10 years ago. So now we have some data that can allow people to make more financial analysis of colleges.

Zinshteyn: Kim, the ranking as you mentioned factors in average expected pay after graduating from a college, but the metric of PayScale relies on self-reported info from graduates, so it's actually capturing average pay of only those who chose to self-report their incomes. How confident are you that the rankings fairly capture the wage benefit of attending a particular school?

Clark: Right. Absolutely, PayScale is a deeply flawed and imperfect data source, but it's the best thing that's out there and there was an interesting analysis by Brookings, which found that that people who self-report tend to be higher or more than the average. I think they found an average of 14% or so, which is not horrible but Brookings found that the data was within reasonable amounts of reliability. And in fact, if you go to payscale.com, they'll show you that they have 1.4 million people who have reported their salaries to their site. That's actually a pretty big sample.

In my view, that sort of under/overestimate issue is balanced out because on the one hand it doesn't include part-time workers or people who are so underemployed, they're too embarrassed to report their income; but on the other hand, it also doesn't include anyone who’s gone on to earn a graduate degree, a law degree, or a medical degree or an MBA. So all those super high earners are also taken out of the PayScale database. On one hand it might underestimate the average earnings of some of the elite colleges, so I feel that the numbers are definitely flawed, but everybody agrees they're the best currently available and that they're not really horrible. So I guess that's why I'd say that they're not terrible. They're reasonably acceptable.

Zinshteyn: Thank you.

Richmond: Money Magazine reported that their rankings took about nine months to pool together. Can you tell us about any of the hurdles you had to overcome creating your formula? Was there anything you thought might be included and ended up having to discard or something you might add if you revise it?

Clark: Right. Oh, yeah. This definitely was version one. One thing we really wanted to include but sad that the data was not sufficient were surveys of alumni happiness. US News & World Report, for example, uses percent of alumni who donate to the college, but of course private schools have a very high rate and public schools have very low rate, so that didn't seem like it was fair.

There's a company called Alumni Factor, which is starting to survey alumni but they only had like 250 schools or something, which wasn't enough. We looked at 665 schools with an above average graduation rate, so 257 wasn't sufficient. And PayScale actually is now starting to survey people about where they went to school and how happy they were with the school, so maybe they'll have a big enough sample size.

So I think alumni satisfaction is really important and I couldn't find good enough data that have a large enough data set. I guess anybody who's interested in this should learn to enjoy mining the IPED's database, which takes some time to learn but once you do it is a pretty powerful tool and you can download all kinds of amazing data. You can create your own little ranking of schools in St. Louis or Texas, for example, using a lot of that data.

The other surprise was how expensive the other data we wanted to use. If you want to use the common data set or things like Peterson's, Peterson's does not give their data away for free so we had to pay about $10,000 to $12,000 I think for that whole data set and PayScale also had very high expectations of what their data was worth.

Zinshteyn: You just mentioned that the ranking only includes about 660 schools. What did you use to weed out the thousands of other schools that didn't make it to your ranking? And a follow-up question to that would be: If the student has the choice between attending a more expensive school that's on your list and a cheaper one that didn't make the cut, how would you advise that student?

Clark: I would say that if they can afford they should go to the school that's on our list because we weeded out schools that had graduation rates below the median, so a school that's not on our list has a very poor graduation rate. We weeded out schools that were rated "speculative" by Moody's so a school that's not on our list either has a terrible graduation rater or is in severe financial difficulty, and we've seen some examples just today of a couple schools closing or being put on probation by their accreditors, which would be a problem for people because of financial difficulties, so schools that are not on our list are not on our list for a good reason. If that's your only choice, you should go, right? But if you have a choice, you should go to a school that's going to help you succeed and that not going to pack you in the class with hundreds of students because they can't afford to hire additional instructors. The schools on our list we think offer at least the minimum of quality and then once in that, even the lowest grade rated school I think is going to be better than one that's not on our list.

Richmond: Kim, what kind of feedback do you get into the rankings on some of the schools that have been chopped or even those that are lower down, as well as consumers and policy makers?

Clark: Right. Of course, there have been some schools that have received poor rankings that were not happy and I don't blame them, but the numbers are the numbers. We focused very much on objective data. I'm trying to think if there's any subjective data. There's a little tiny bit of students evaluations of professors, so that's like a very tiny portion of the ranking.

So they're pretty much all graduation rate, student loan repayment rate, average net cost, average indebtedness of parents. It's very numerical and very objective and I have received complaints from schools but it's like well, you could graduate more students or you could lower your dropout rate. That would raise you in the rankings.

The praise we've gotten is that about a third of the ranking is based on value added, so one of the problems with US News is that a school can raise itself in the ranking by, for example, just letting in rich kids or encouraging lots of people to apply and then rejecting them.

Our ranking, one of the things we do is we did a regression, for example, graduation rates and student loan default and things like that against Pell grant status grants, status, percent of student body with Pell grant and average SAT scores, which everybody knows are highly correlated with socio-economic status. So the schools that let in very few low-income students had no opportunity to add value because of course, for example, Harvard has a high graduation rate, you would expect that school would have a high graduation rate, but the schools that let in lots of Pell grant students actually have an opportunity to add lots of value until they are raised very high in the rankings, so we're the first ranking that actually rewards schools, puts the incentives in the right place because it rewards schools for letting in low-income kids and doing a great job with educating them, getting them to graduation and graduating them into good jobs.

Zinshteyn: Kim, the Obama Administration has put the higher ed community on notice by announcing its forthcoming rating that would gauge schools based on the economic and academic value they offer students. While we don't know precisely what the rating system will include, how do you see Money Magazine's rankings fitting into that accountability framework.

Clark: Right. If it ever appears, right? I think it will someday, but one of the things we did is we actually hired a former Department of Education guy, we hired Mark Schneider who is the former head of the National Center of Education Statistics. I think one of the reasons he wanted to work with us was because he would watch what was going on and with his old employer and he thought he knew how to do this and so he worked with us to create a ranking that really is if in many ways what the department should be doing. They should be looking at value added, right? They should be looking at true affordability. They should be looking at parent borrowing. These are the factors that they should be looking at, so I think that we are sort of pointing the way. They obviously are going to do whatever they're going to do, but we're actually working with people who know exactly what the department can do and should do.

Richmond: Kim, what are the story ideas for reporters who may want to take the rankings and do their own analysis at schools in their area?

Clark: Right. Well you can just go for free on our site and search by your state, for example, or I think we have a zip code or something, or I think state or region and you can do a ranking on which school has the lowest net cost, which school has the best graduation rate or value ed at graduation rate or things like that and anybody can call me and I'm happy to help if you're having problems with the website or you need something, I would totally be happy to help.

Also, I'd be happy to help someone to try to figure out how to do this for themselves because it's not impossible to do some basic rankings using the IPED's data yourself. So if you're interested in trying to do some analysis like which school lets in lots of low-income kids and graduates them, that kind of thing, we can help you figure that out.

There're also some great resources like collegeresults.org, which has really great graduation rate by different kinds of students like which schools really graduate minority males or minority females, that kind of thing. There are some sources to really look at who's doing the value added work that everybody seems to want, right?

Richmond: Kim Clark has covered higher education and especially the finances of higher education for more than a decade. She's currently a senior writer from Money Magazine and she previously served as the lead higher education writer for US News & World Report.

Kim, thanks for making time for EWA Radio.

Clark: Anytime.

Richmond: I think this does raise some interesting questions about how much confidence do reporters need to have in the data when they put together a ranking system using public information about the quality of colleges?

Zinshteyn: Yeah. It also raises this other issue of relying on imperfect data. Do you report on something if it's knowingly incomplete. In this case it's this

PayScale information: By everyone's admission it's an imprecise measurement of expected earnings from a particular institution but it's the best we have. I guess we could wait and see if a better metric emerges down the line, but for the time being it's prudent to use what is available.

Richmond: And I am interested to see how the formula is going to change not just for Money Magazine but for all of the college rankings once we do get a better picture of what the Federal Government's expectations are, for more transparency, for consumers and of course greater accountability.

So that wraps it up for EWA Radio for this week. Thanks for joining us everyone. Just a reminder, you can go to ewa.org, check out our topics pages which have reporter resources, sources to tap, everything you need to get your story going, whether it’s college affordability, classroom technology or campus safety. And also, we have an upcoming event, our Higher Education Seminar will be in Dallas this year and we would love to have you join us if you're a qualified reporter.

Have a great week, everyone.

Zinshteyn: Take care.