

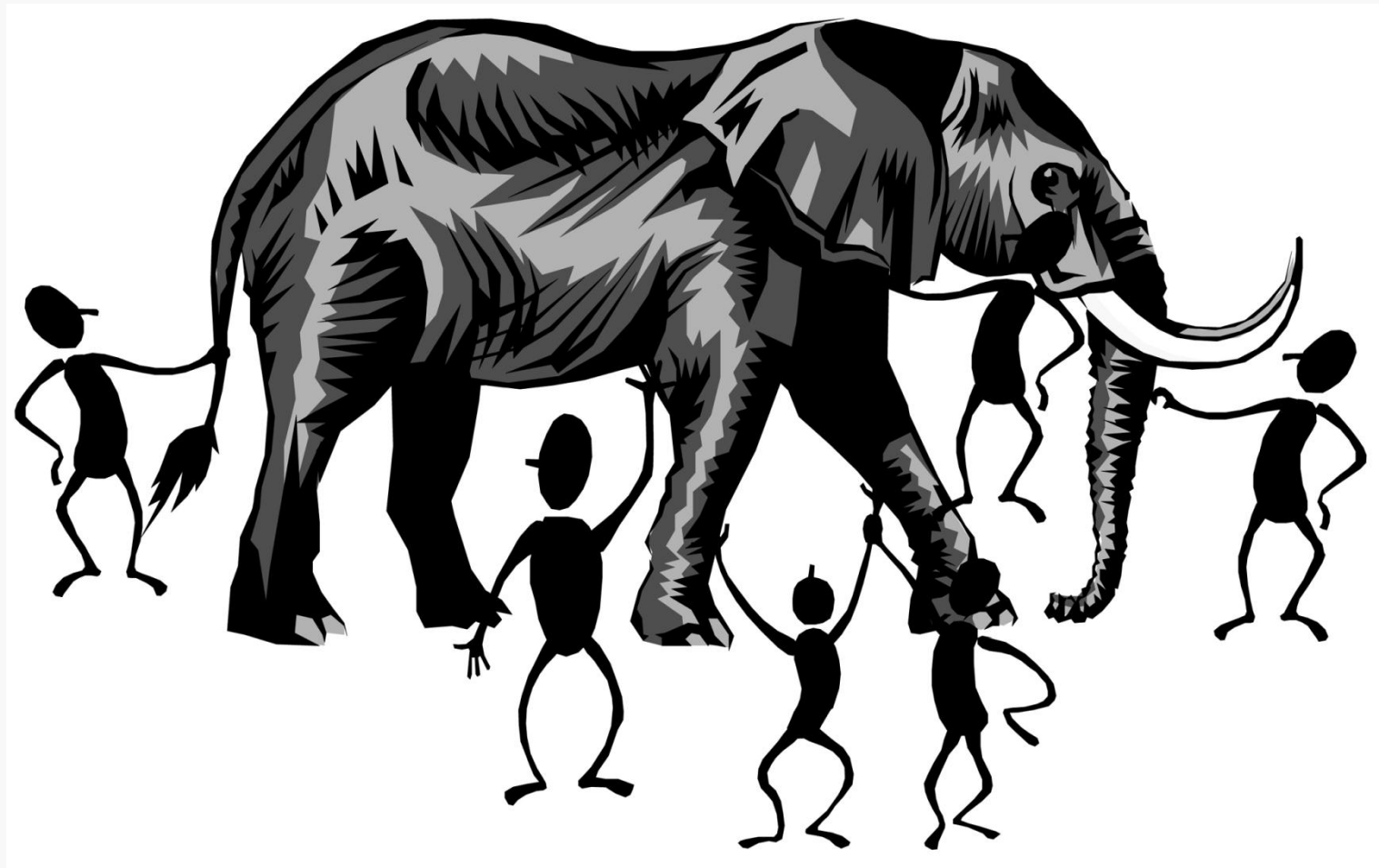
Deconstructing the College “Cost Problem”

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CUNY Higher Education Policy
Seminar

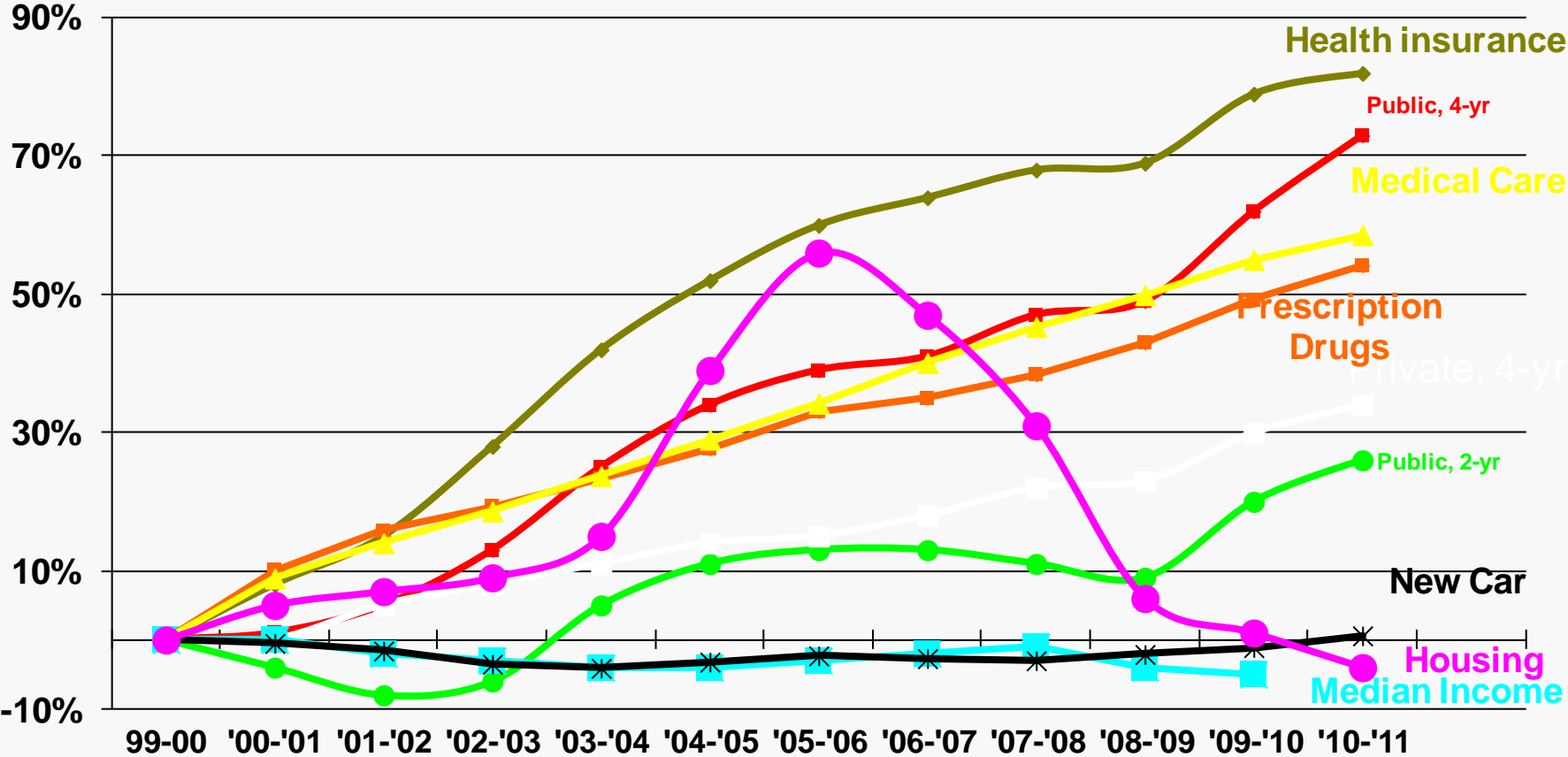
March 8, 2012

Dimensions of the cost problem

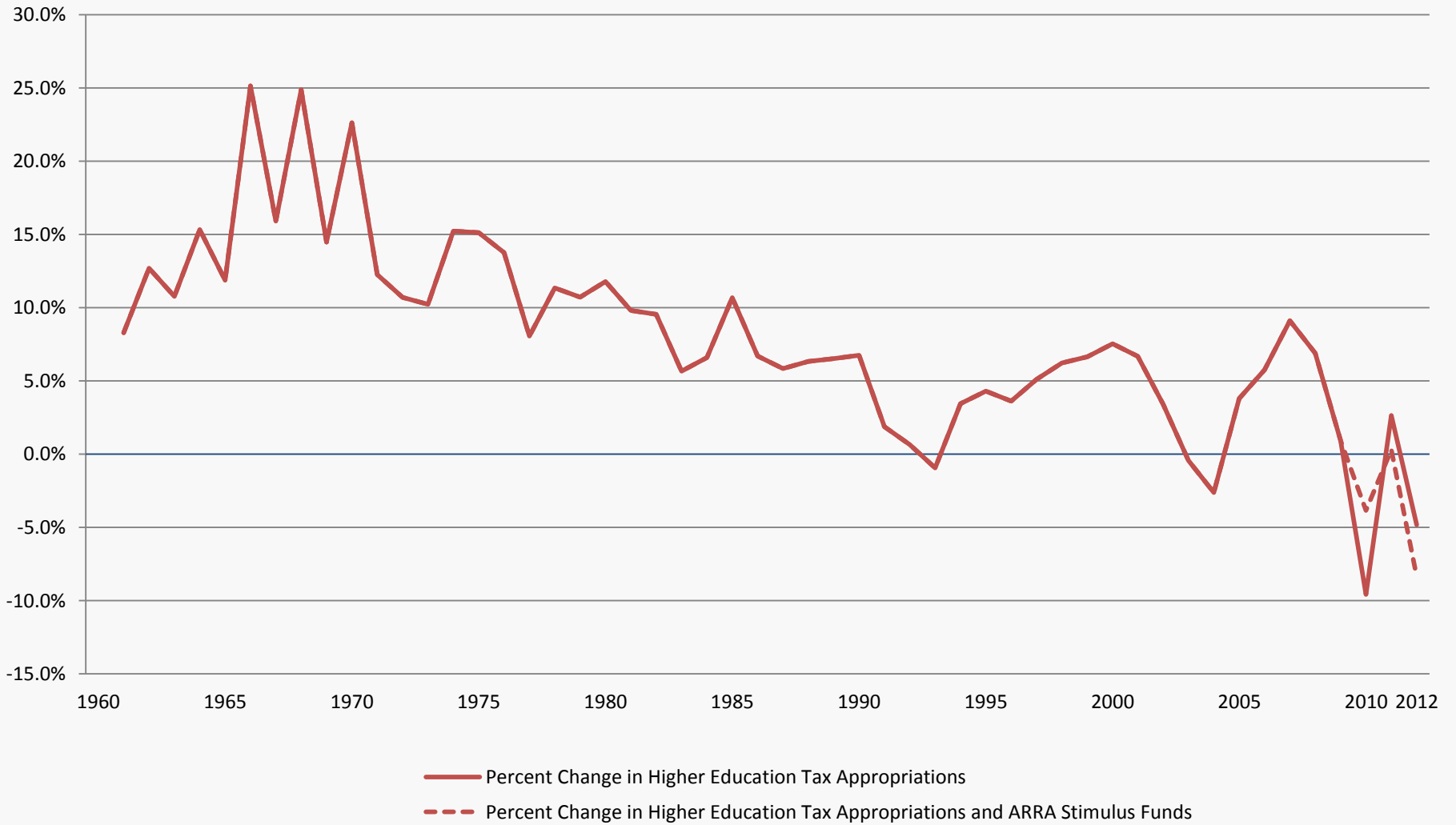


College Prices Growing ...

% Change in College Sticker Price against other consumer Areas – 1999/00 – 2010/11

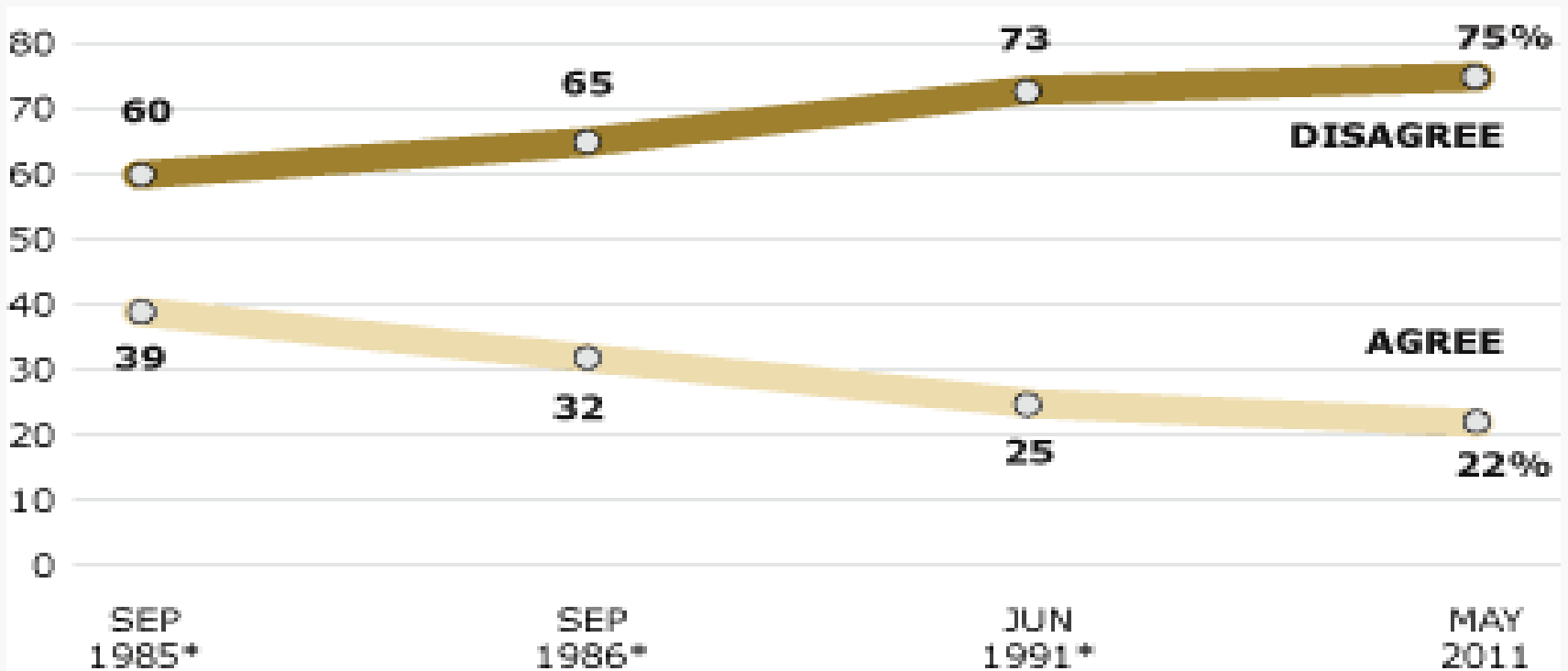


Annual Percent Change in Higher Education Appropriations, FY1960 - FY2012



Source: Annual Grapevine reports, FY 1960 - FY 2012
<http://grapevine.illinoisstate.edu/index.shtml>

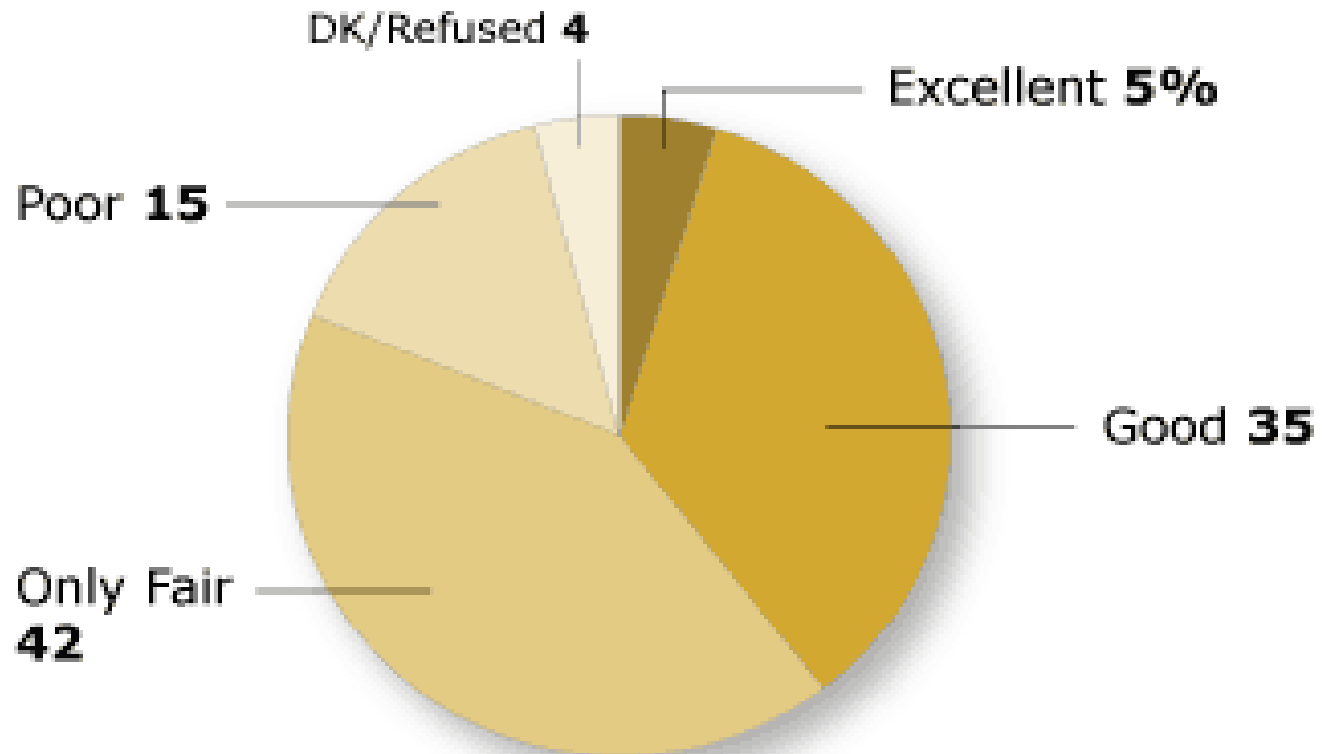
A declining share of Americans agree that a college education is affordable



* Council for Advancement and Support of Education

Do you agree or disagree with the following statement: College costs in general are such that most people are able to afford to pay for a college education. (*Asked of general public*)

Only 40% feel that the value for the money spent on higher education is excellent or good...

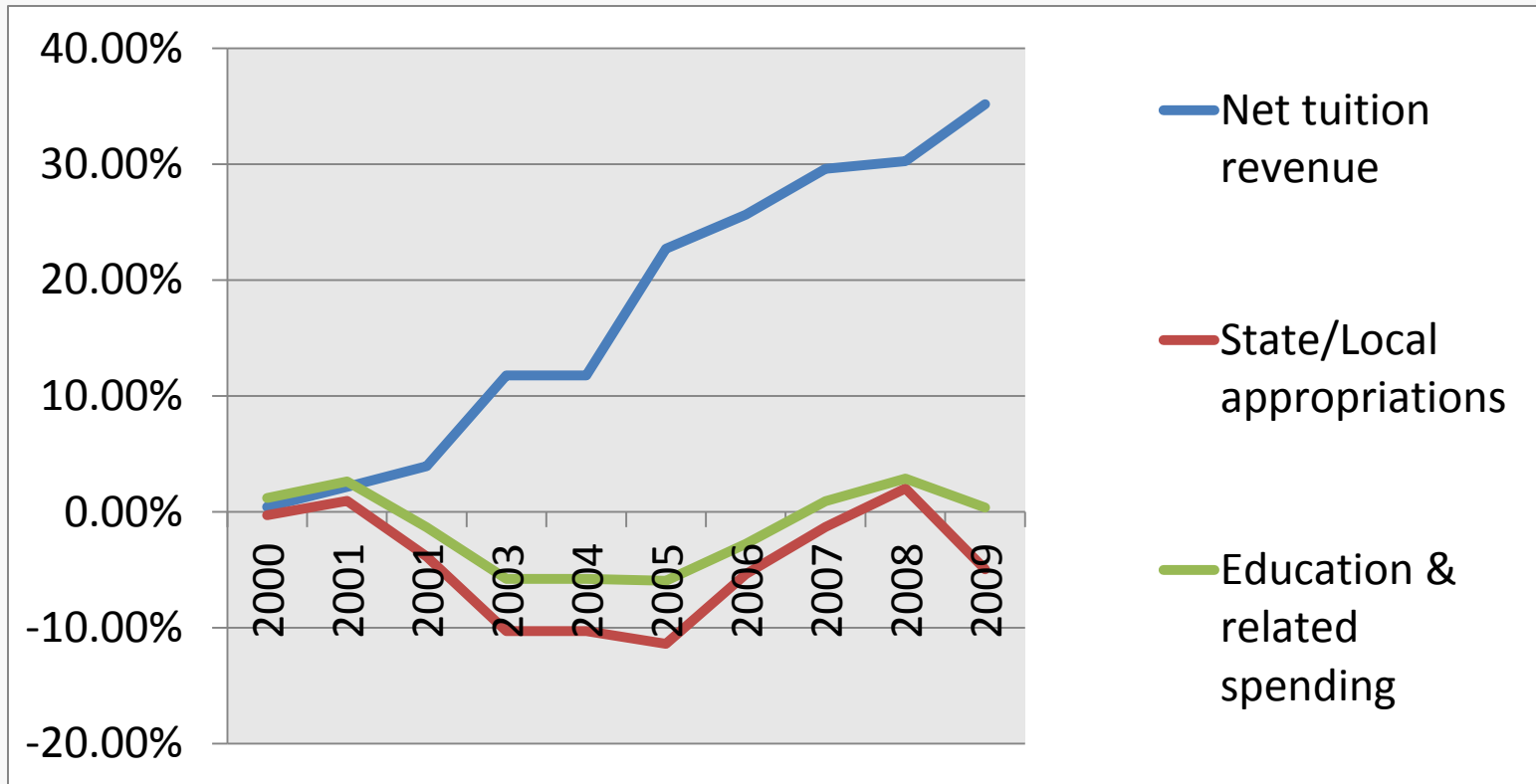


How would you rate the job the higher education system in this country is doing in terms of providing VALUE for the money spent by students and their families? (*Asked of general public*)

Spending is not increasing as fast as tuition

- The price/spending gap is biggest among public community colleges
 - Net tuition revenue up 35% in 9 years
 - Against virtually NO CHANGE in spending per student
 - And declines in state/local appropriations of 5% in 9 years

The unsustainable cost model: gaps in tuition revenue v. spending, public community colleges, 2000 – 2009

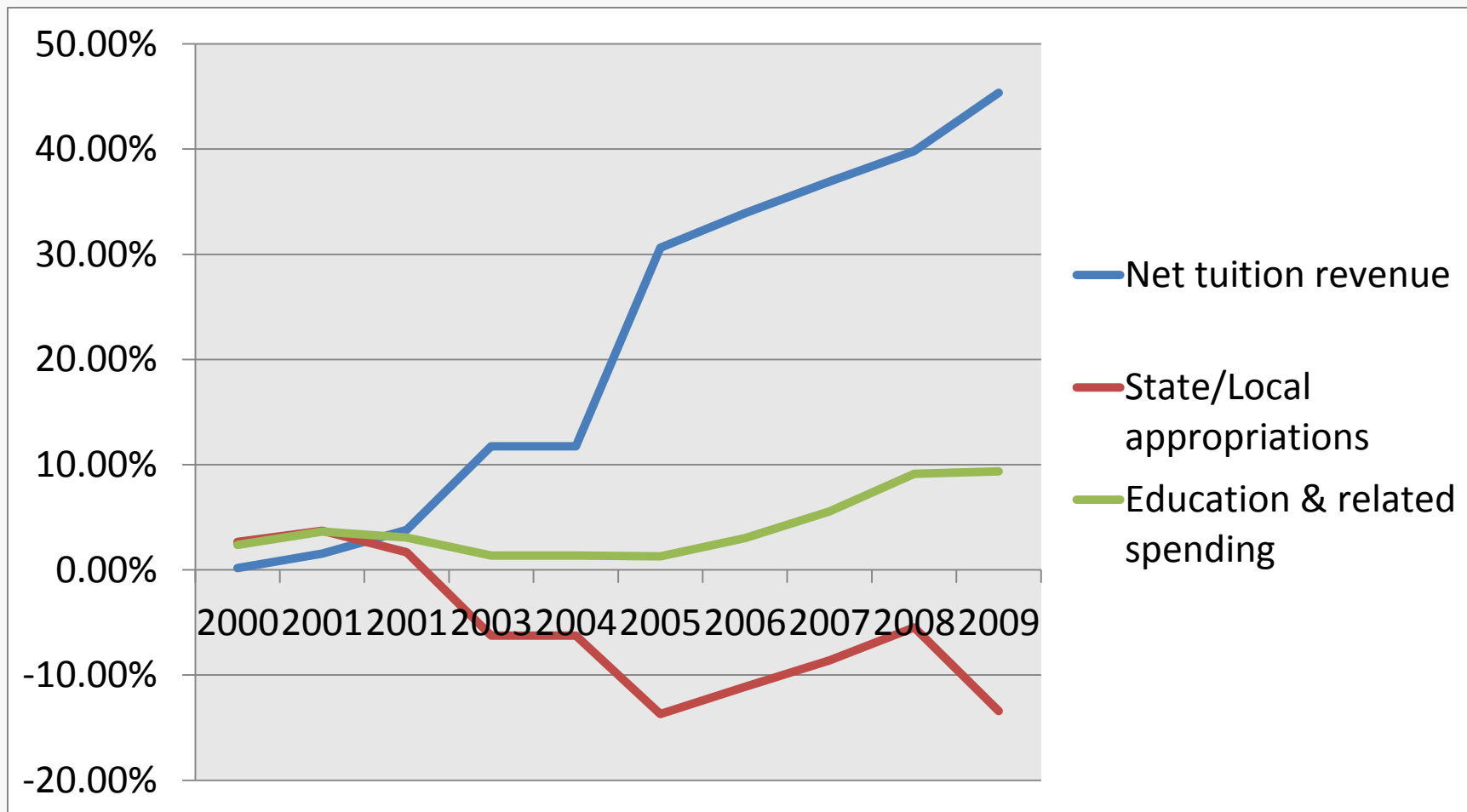


All figures are in 2009 constant dollars, per FTE student. Source, Delta Data base.

Similar patterns – but real increases in spending/student in public four-year institutions

- Public masters' spending/student/year about 1%/year between 2000 – 2009
 - Against tuition increases averaging 5%/year
 - And state budget cuts averaging 0.5%/year

The unsustainable cost model: gaps in tuition revenue v. spending, public masters' institutions, 2000 – 2009

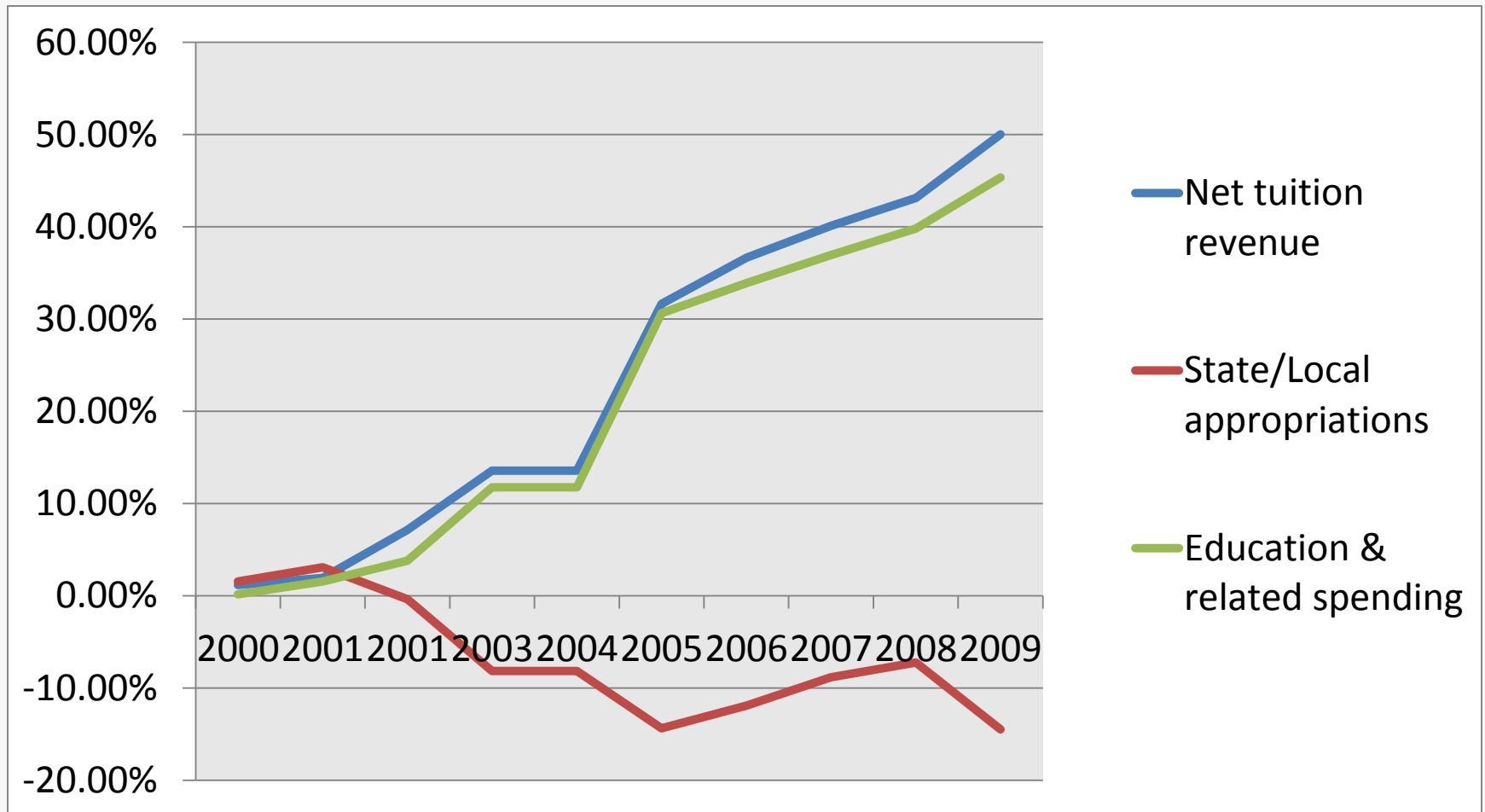


All figures are in 2009 constant dollars, per FTE student. Source, Delta Data base.

Among public institutions, research universities fared the best

- Tuition revenues up an average of 5.5%/year since 2000
- Against spending increases per student around 5% per year on average
- And reductions in state/local appropriations of around 1.5%/year

The unsustainable cost model: gaps in tuition revenue v. spending, public research universities, 2000 – 2009



All figures are in 2009 constant dollars, per FTE student. Source, Delta Data base.

But – public research universities are falling behind private research institutions

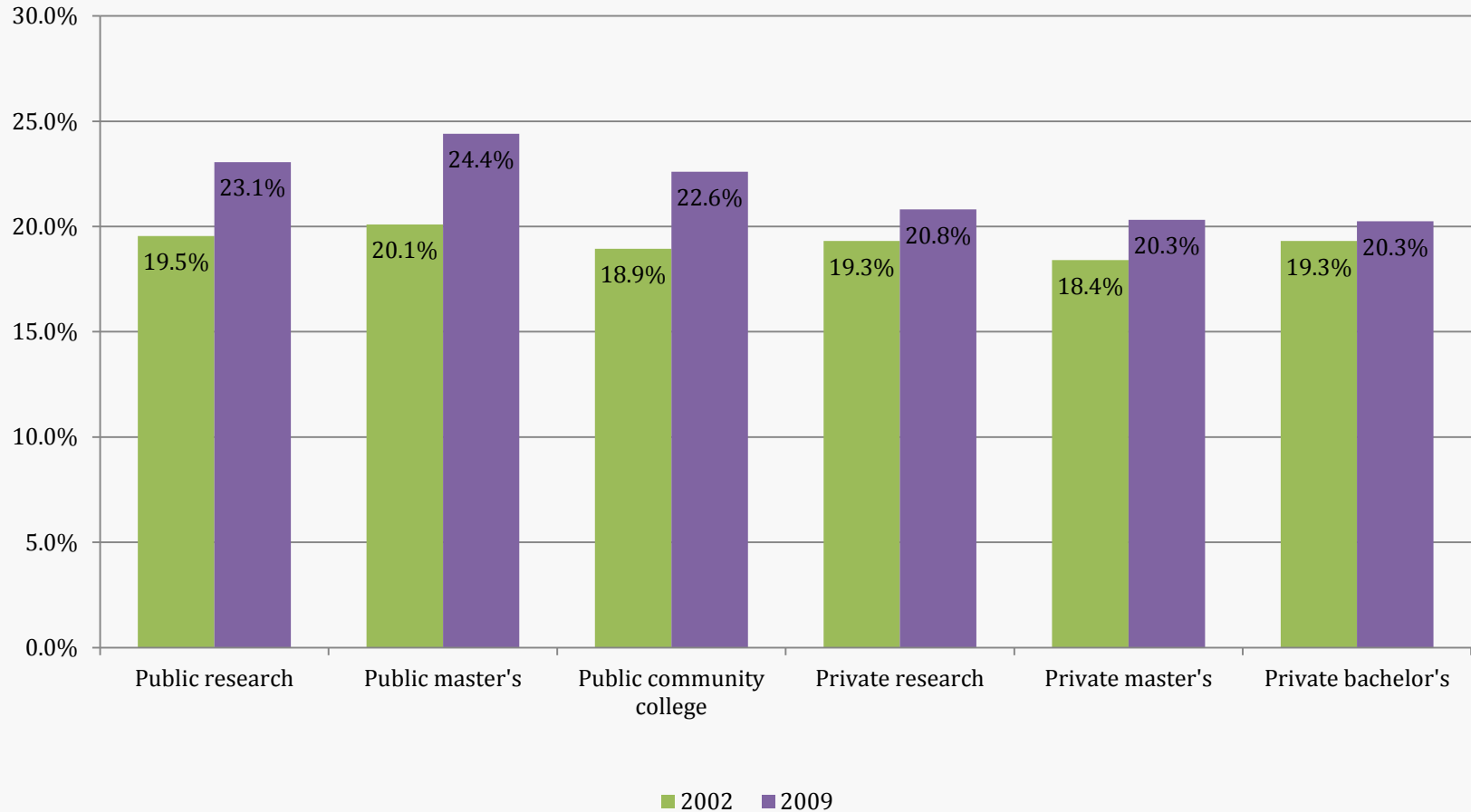
- In 1987, private research universities averaged \$1.63 in education and related spending/student for each \$1.00 spent in public research institutions.
- That funding advantage increased to \$2.25/\$1.00 in 2009.

Nationwide average E&R spending/student/year	1987	2009	Annual average % change
Public research universities	\$13,032	\$15,892	1%
Private research universities	\$21,294	\$35,854	3%
Private/public funding advantage	1.63:1.00	2.25:1.00	

Trends in Labor Costs - 2002-2008

Public institutions	Salary outlay per employee	Benefit cost per full-time employee	Compensation per employee	Compensation per FTE student
Research	0.9%	5.2%	1.7%	1.6%
Master's	-0.6%	4.6%	0.4%	0.6%
Community colleges	0.7%	5.2%	1.5%	1.1%
Private institutions				
Research	-0.3%	1.6%	0.0%	1.7%
Master's	-0.8%	2.4%	-0.5%	0.6%
Bachelor's	-0.5%	1.3%	-0.2%	0.7%

Benefit Share of Compensation, AY2002-2009



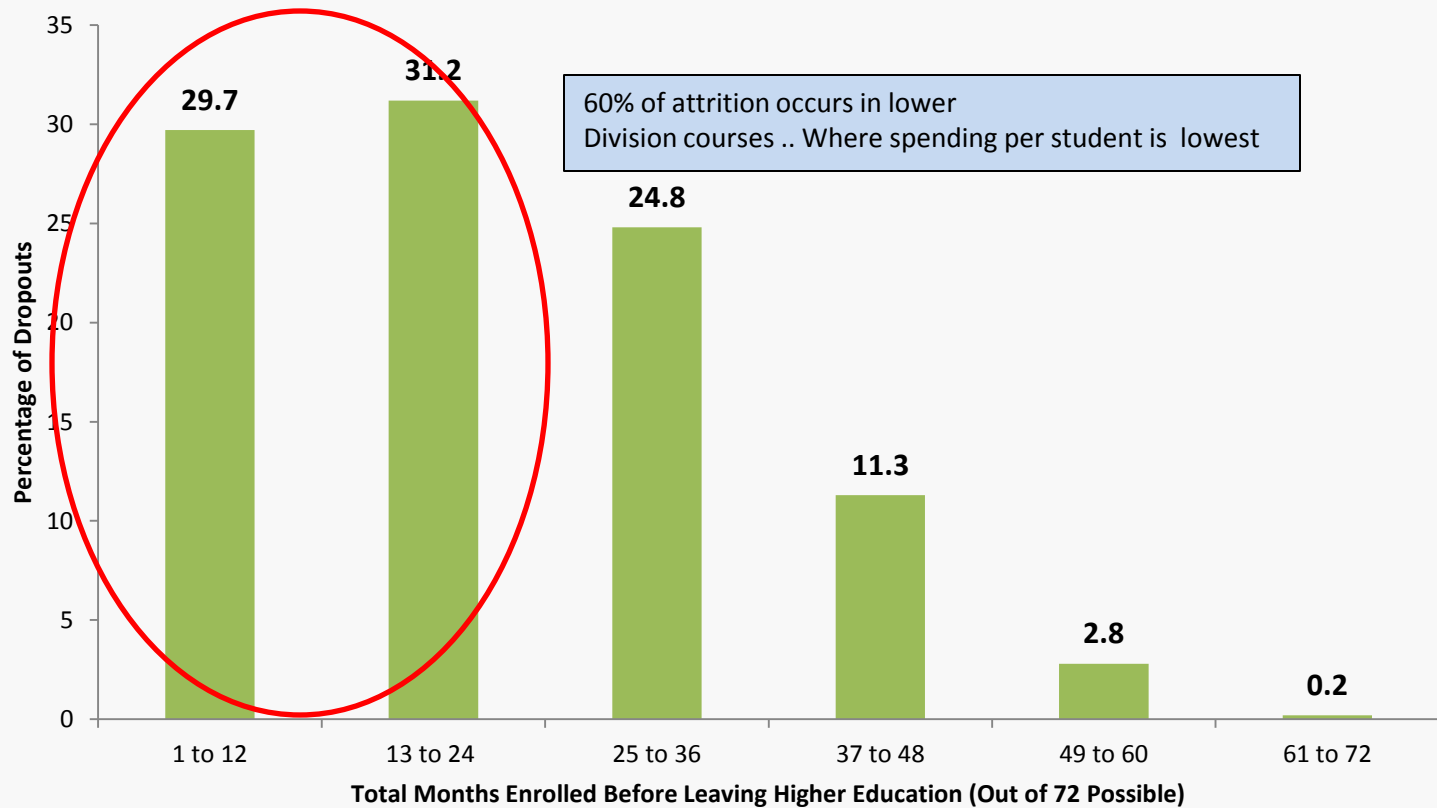
Source: Delta Cost Project IPEDS database, 1987-2009, 11-year matched set.

**Credit Hour Distribution and Average instructional costs
Public-four year averages, 4-state cost study (SUNY,
Florida, Ohio, Illinois)**

	% of all credits taken	% of total spending on instruction	Avg weighted cost/credit
Lower Division	36%	23%	1.00
Upper Division	48%	44%	1.42
Grad 1	12%	23%	2.88
Grad 2	4%	9%	4.00
	100%	100%	1.55

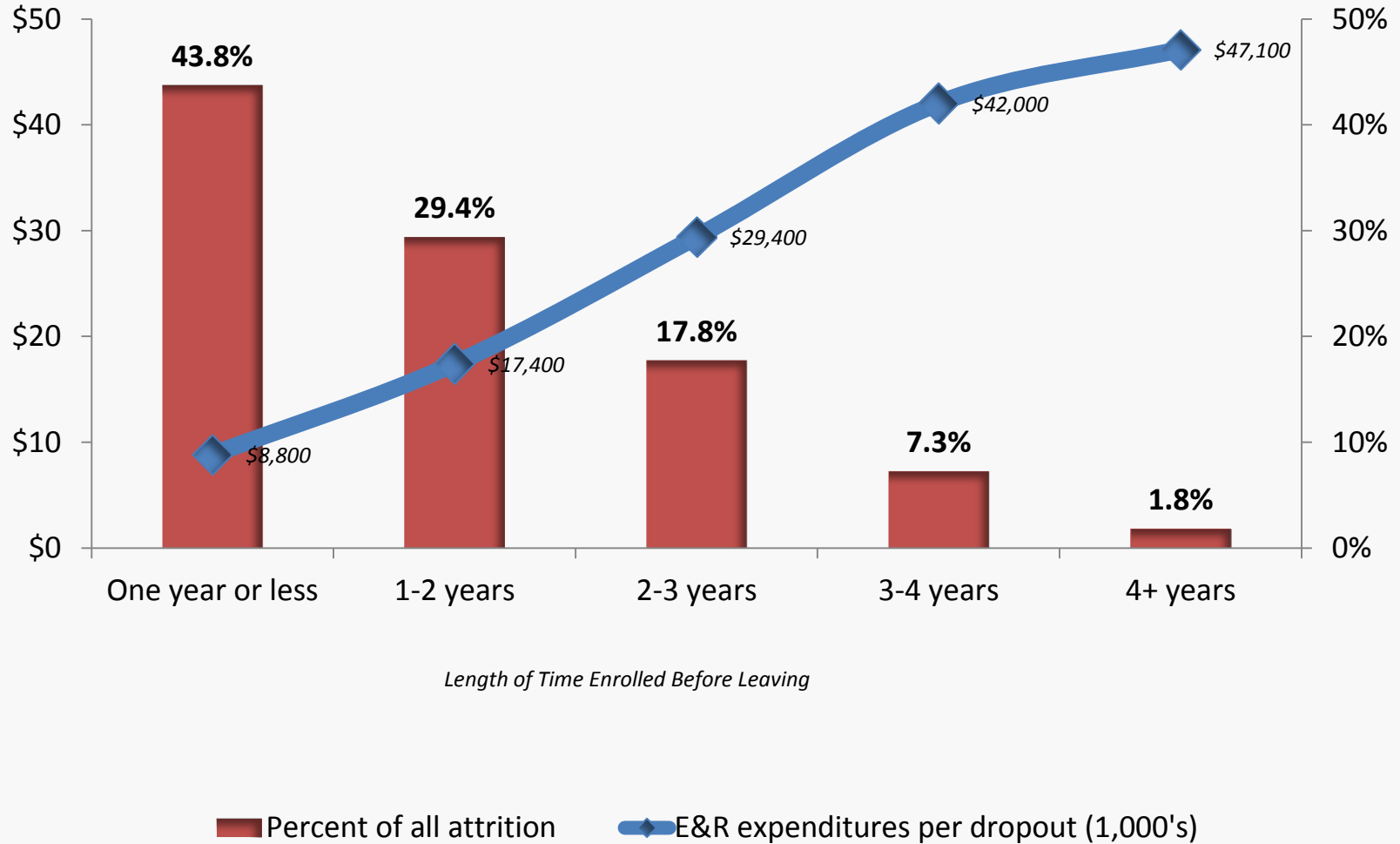
Source: SHEEO, 2010.

Percentage of All Dropouts by Cumulative Months Enrolled, Beginning Postsecondary Students 2003-04



Source: NCES, BPS, undergraduates only.

Volume and Costs (in \$1,000) of Early and Late Attrition



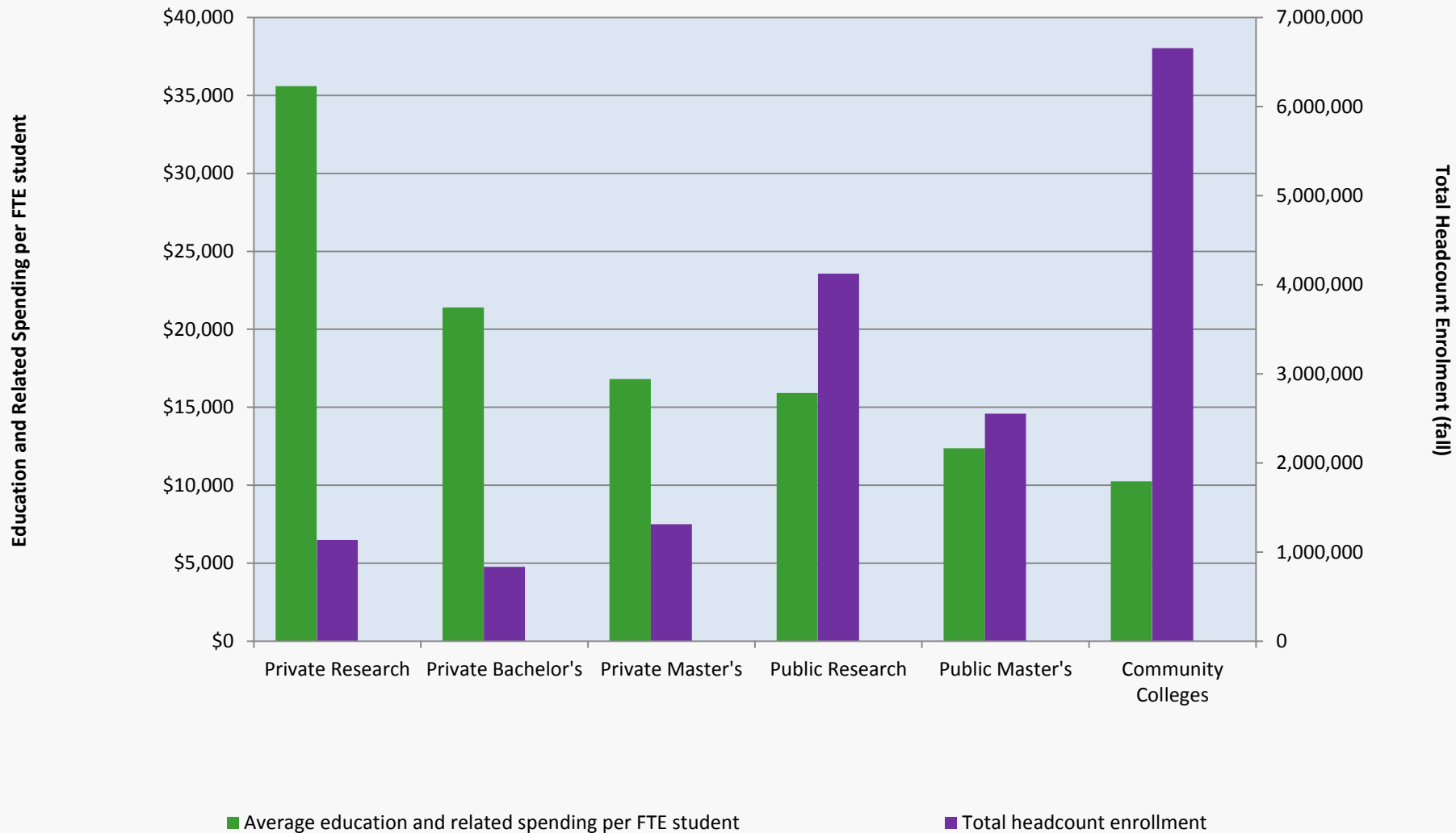
Source, BPS, 2003-2004, by 2009.

Outside inside: the fractured dialogue about college costs and the road ahead

Group	Definition of Problem	Solution
Public	Caught between growing importance and decreasing access	Protect access at all costs!
State Financial Officers (and legislators)	Need more college graduates	Increase productivity and retention!
Faculty	Deteriorating quality of students and declining standards	Raise standards, improve K-12, stop talking about productivity!
Public College Presidents	Caught in iron triangle	Reinvest in higher education!
Private college Presidents	Caught in a spending 'arms race'	Find ways to reduce competition, beginning with tuition discounting

Source: John Immewahr, Villanova University, based on research for Public Agenda.

Spending per student versus enrollment by sector, AY 2009

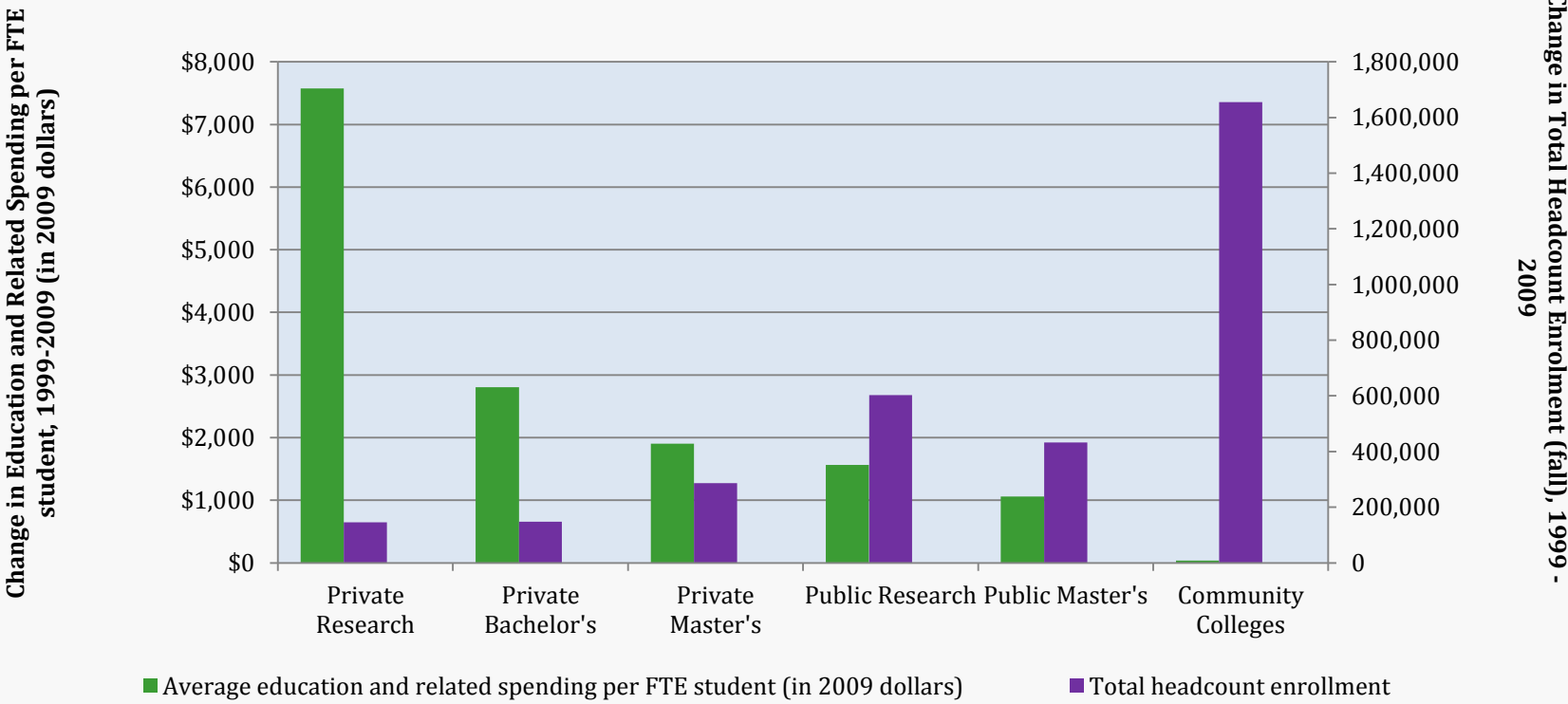


Source: Delta Cost Project IPEDS Database, 1987-2009; spending data from the 11-year matched set; enrollment data from the unmatched set.

New money versus new students—enrollment growth is concentrated in public institutions, which have had less access to new resources

Ten-year change in enrollment versus 10 year change in spending per FTE student, AY1999-2009 (in 2009 dollars)

Change in Enrollment vs. Change in Spending, AY1999-2009



Source: Delta Cost Project IPEDS Database, 1987-2009; spending data from the 11-year matched set; enrollment data from the unmatched set.

Greater transparency in campus decision-making will result in better financial decisions

Sector	Strongly Agree	Agree	Disagree	Strongly Disagree
Public research	14.9%	53.2%	27.7%	4.3%
Public masters	25.5	59.9	20.0	3.6
Public assoc	13.3	53,8	25.4	7.5
Private research	16.0	60.0	20.0	4.0
Private masters	18.5	55.6	23.5	2.5
Private bacc	21.5	46.9	27.1	4.5

Inside Higher Education, Survey of CFO's, July 2011.

CFO Opinions about effectiveness of the budget model

- % reporting it to be 'Effective or very effective'

39.7% Overall model is effective or very effective

49.9% Helps us to manage during good times

36.7% Helps us to manage during difficult times

27.6% Helps us re-assess priorities

20.9% Helps develop a business plan for new
academic programs

Inside Higher Education , 2011 Survey of College and University Business Officers,
July 2011.

Reprise: Elements of the “Cost problem”

1. Tuitions rising
2. State funding for higher education declining
3. Public concern about affordability AND value
4. Cost shifting – spending not increasing as rapidly as tuitions (students paying more, but not getting equivalent increase in \$ value)
5. Employee benefits!
6. “Upside down” spending and student attrition
7. Internal/external gaps in understanding about problem and solution
8. Growing gaps between rich and poor
9. Lack of fiscal transparency, and weak use of fiscal data in institutional decision-making