



Putting College Costs Into Context

ACE American
Council on
Education™

Leadership and Advocacy

Foreword

Anyone reading the news these days knows that the price of higher education is once again the subject of widespread discussion and scrutiny. The topic is complex and often conversations about cost suffer from a lack of data. In developing this document, we at ACE intend to offer a deeper view inside this complex issue by putting college costs into context.

Whenever I look at the data surrounding college prices, as well as the personal and societal benefits of higher education, I am personally reassured of its value. For many Americans, when student financial aid is factored into the equation, college is, indeed, affordable. But this knowledge is not always enough. “Affordable” does not mean inexpensive. And what about those who, in difficult economic times, find financial aid beyond their reach? This is one of the reasons why colleges and universities are looking for new and innovative ways to make higher education easier to afford, without sacrificing the academic heart of the institution.

As these and other efforts continue, I believe it is valuable to provide clear, factual information as a resource for policy makers, the media, and the public. I hope that by helping to establish a baseline of data, we can help foster thoughtful and fruitful conversations on this vitally important topic.

The challenge of sustaining affordable higher education cannot be solved overnight. But a common set of facts outlining the challenge and putting it into context is an essential step. I hope this document achieves that objective.

Molly Corbett Broad

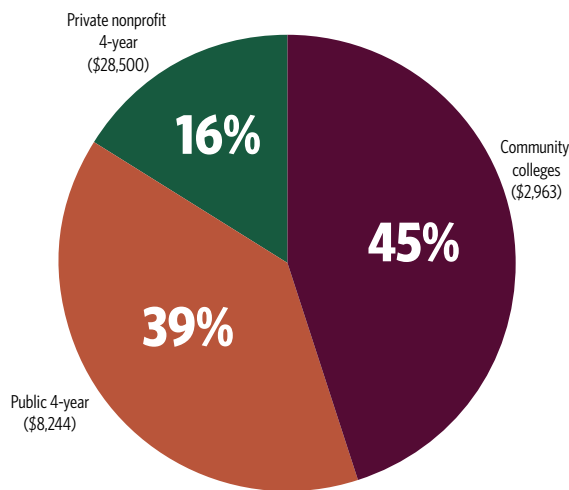
President

American Council on Education

What Does It Cost to Go to College?

- Average published tuition for full-time students enrolled in college (2011-12)¹:
 - 45 percent of all undergraduates attended community colleges, where the average published tuition for a full-time student is \$2,963.
 - 39 percent attended public four-year colleges and universities, where the average published tuition for a full-time student is \$8,244.
 - 16 percent attended private, nonprofit, four-year colleges and universities, where the average published tuition for a full-time student is \$28,500.

Distribution of Undergraduate Students and Average Published Tuition by Type of Institution: 2011-12



Source: College Board

- There is great variation in tuition prices across institutions. The average published tuition for a full-time community college student is less than \$2,500 in one-third of states. Fifty-six percent of full-time students at public and private nonprofit four-year colleges attend institutions charging less than \$12,000 in published tuition (2011-12).

How Much Financial Aid Is Available?

- Approximately \$112 billion from federal, state, and institutional sources was awarded in the form of grants and education tax benefits in 2010-11. When federal student loans are included, the total amount of aid available to students was \$216 billion.
- Almost two-thirds of full-time students receive grant aid to help pay for college. Federal aid grew significantly over the past decade, now providing 51 percent of all undergraduate grant aid in 2010, up from 34 percent 10 years earlier. And federal education tax benefits assisted about 12 million taxpayers, six times more than they did at the start of the program in 1998.

How Much Are College Prices Going Up?

As published tuition prices rose, financial aid from institutional and federal sources also increased. Therefore, the net tuition actually paid by students did not increase as rapidly as the published tuition.

- Over the five years from 2006-07 to 2011-12, published tuition for public, four-year colleges increased by 22 percent (or \$1,800), community colleges by 12 percent (\$448), and private, nonprofit four-year colleges by 14 percent (\$3,744), adjusted for inflation.
- Over this period, after taking into account grants and education tax benefits, the estimated average net tuition (adjusted for inflation) decreased at community colleges and private, nonprofit four-year colleges by \$840 and \$550, respectively. The average net tuition increased by just \$170 at public, four-year campuses after inflation, compared with the \$1,800 increase in published tuition.

1 For-profit institutions excluded due to data limitations.

Key Terms

Published Tuition is the listed tuition and fees colleges and universities charge full-time students. This is sometimes referred to as the “sticker price.”

Net Tuition is the published tuition minus grants and educational tax benefits that students receive. Because most students receive grants, tuition discounts, or educational tax benefits, net tuition is often much lower than published tuition.

Grants are financial aid that does not need to be repaid by the student. Sources of grant aid are federal and state governments, colleges and universities, or private sources.

Educational Tax Benefits are the federal tax credits and student loan interest deductions that reduce the tax bills of parents and students paying for postsecondary education.

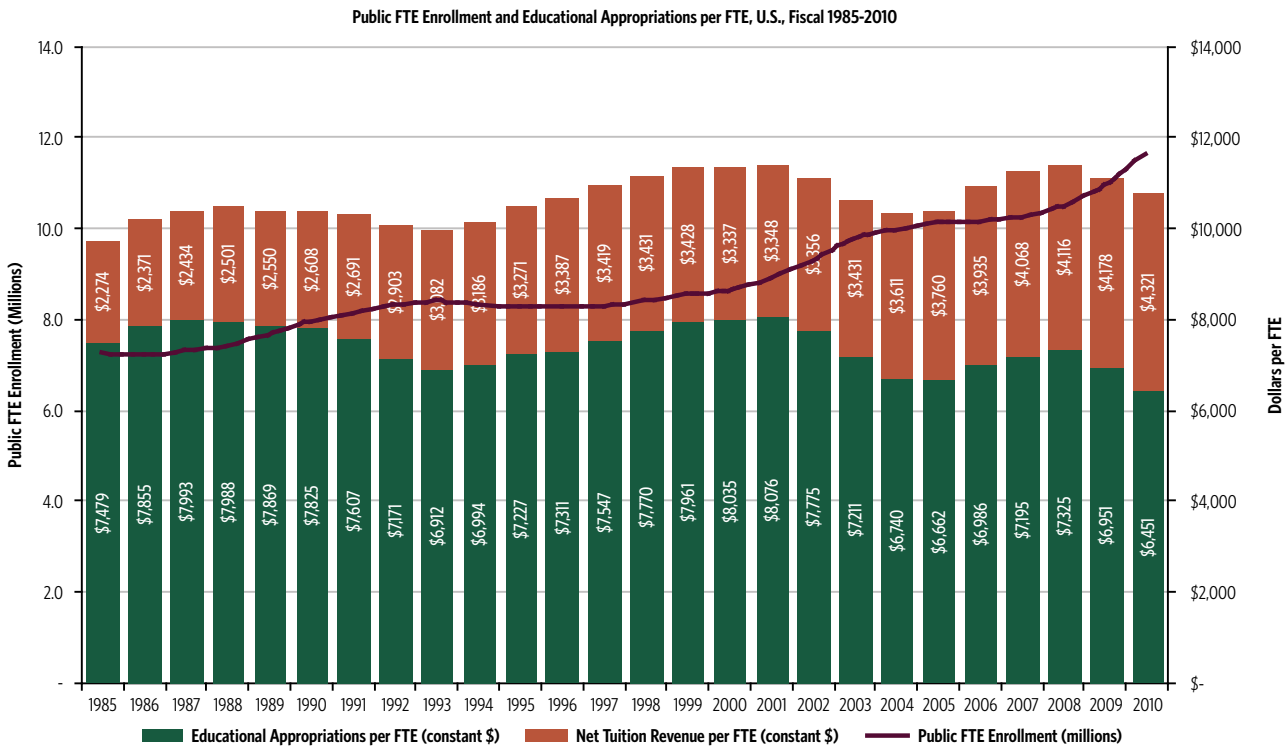
Why Are College Prices Rising?

There are a number of factors that contribute to the increasing cost of a college education such as the impact of the current recession on state funding for higher education, the expansion of degree programs, growing investment in institutional aid and, in emerging fields, the need to acquire and deploy state-of-the-art technologies, as well as the increasing number of state and federal regulations and reporting requirements.

State Support

State appropriations support the core operating budgets of public colleges and universities. As most states failed to sustain consistent funding levels to accommodate growing enrollments, financial pressure on higher education institutions has grown substantially.

- In 2010, state and local support for general higher education operations fell to a 25-year low in inflation-adjusted terms, while FTE enrollment increased by 61 percent (see chart below).



Source: State Higher Education Executive Officers

- Over the decade from 1998–99 to 2008–09, state appropriations as a share of institutional revenues per student dropped from 49 percent to 34 percent in public research institutions; 56 percent to 43 percent in state colleges; and 64 percent to 57 percent in community colleges.
- As a result of declining state support, the share of total institutional revenue from tuition rose from 25 percent to 32 percent in public research institutions; 33 percent to 43 percent in state colleges; and 22 percent to 27 percent in community colleges. The increases were insufficient to offset declining state support.

Knowledge in most scientific disciplines doubles every seven to 10 years. Whole new fields of science—such as nanotechnology—have emerged from obscure specialties to essential fields of study that can be found at most institutions.

- Between 2007–08 and 2010–11, state appropriations for higher education per student declined by 18 percent in real terms, the largest three-year decline in 30 years.
- Community colleges were impacted the most by the early recession in 2009, with declines in revenues per student deeper than in other public institutions.
- In addition to reducing general support, states have also begun to slash student aid funding. As this occurs, public and private colleges and universities must use more of their own funds to fill the gap. This trend

will be exacerbated by the loss of federal dollars that provided matching funds to state student aid programs.

- Colleges and universities saw the value of their endowments drop by an average of 23 percent from 2008 to 2009. Despite some improvements after 2009, endowments have yet to return to their pre-recession levels.
- Charitable gifts to colleges and universities fell 12 percent in 2009, the largest recorded decline. Giving is 8 percent lower in 2010 than it was in 2006 in inflation-adjusted dollars.

Technology and Knowledge Creation

With the rapidly changing nature of information technology, the technological expectations and requirement of students, faculty, and staff are rising.

- Beyond initial costs for IT infrastructure, a significant investment of institutional resources goes to the creating and upgrading of technology-enhanced instruction and research media, student services, and faculty and staff training.
- Today's college students expect institutions to provide information and technological resources and services that allow them to access instructional resources and campus services anywhere and anytime. This is evidenced by the rising use of wireless classrooms, lecture capture and podcasting, mobile apps, and ePortfolios, for example.
- Knowledge in most scientific disciplines doubles every seven to 10 years. Whole new fields of science—such as nanotechnology—have emerged from obscure specialties to essential fields of study that can be found at most institutions. Over the past three decades, the annual volume of paper and electronic subscriptions at academic libraries grew sharply from less than 4,700 to more than 25,000.

Academic Instruction

Additional academic instruction needs have grown and remain high.

- Forty percent of all students entering postsecondary education—60 percent at community colleges—require some remediation.
- Nationwide, remediation is estimated to cost higher education \$2.3 billion annually.

Institutional Aid to Students

Colleges and universities are devoting an increasing amount of their own resources to student aid to ensure that low- and middle-income students have the financial resources to begin and complete their education.

- Over the past decade alone, campus-provided financial aid amounts have doubled in real terms. In 2010-11, institutions provided \$38 billion or 36 percent of all available grant aid. By comparison, in 2010-11, the federal government provided \$49 billion or 46 percent of all available grant aid.

Regulatory Requirements

Increasing regulations contribute to the rising operating costs of colleges and universities.

- Colleges and universities are among the most heavily regulated entities in America. In addition to state and local regulations, higher education is the only industry regulated by every federal agency.
- In recent years, the burden imposed on colleges and universities by federal regulation has become increasingly complex, onerous, and costly. The Higher Education Opportunity Act of 2008 alone has added over 100 new regulations, and a 2011 Congress mandated study found that 90 percent of senior campus leaders reported the implementation and administration of regulations under the Higher Education Opportunity Act of 2008 were burdensome. (In fact, these administrators viewed those regulations as far more

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burdensome than any other federal, state, or local regulations.)

- Regulations impose a heavy toll on colleges and universities in the form of additional staff, increased staff development and training, additional paperwork, creation of computer systems and software to support record-keeping requirements, and higher legal fees. These regulations, in turn, increase operating costs. According to Sen. Lamar Alexander, in 2005 there were more than 7,000 federal regulations governing colleges and universities. The number of regulations has grown exponentially.

Work Force

Higher education is dependent on highly educated workers.

- Higher education is among the most labor- and skill-intensive sectors of the economy, with college graduates comprising almost 70 percent of its employees. Higher education institutions typically spend 60 percent or more of their budgets on human resource costs. In recent years public institutions had sharp increases in benefit costs that now comprise nearly 25 percent of total human resource costs. Colleges and universities compete with the private sector to hire outstanding individuals—such as engineers, biologists, chemists, doctors, and lawyers—for faculty positions.
- Productivity gains are often hard to come by in any service industry. In higher education, greater productivity might mean

larger classes, fewer seminars, and more part-time faculty, all of which are unpopular with students and parents, and can lead to a decrease in the quality of teaching and research.

How Are Universities Responding?

Higher education leaders are increasingly challenged to provide a quality college education at affordable prices for Americans of all income levels. Colleges and universities have taken a wide range of steps to contain and cut costs as well as help students pay for education:

Layoffs, Pay or Hiring Freezes, and Improving Administrative Efficiency

- The State University of New York (SUNY) system is not replacing retiring college presidents. Three presidential appointments will be consolidated with those of three other school leaders, part of a system-wide effort to consolidate administrative expenses to put resources back into classrooms (*The Albany Times Union*).
- The University of North Carolina (UNC) system cut 3,032 employees due to state budget reductions, including 488 full-time employees. Most of the layoffs were contract or adjunct professors, which means bigger classes and fewer academic choices for the system's 220,000 students (*Newsobserver.com*).
- New York University has saved \$200 million per year by cutting 20 percent of its administrative costs through eliminating administrative positions, cutting health care benefits, and outsourcing student services (*NYU Local*).
- Ivy Tech Community College in Indiana saved \$20 million over three years by centralizing and sharing services across multiple campuses (*Inside Higher Ed*).

Reducing Course Offerings, Enrollments, or Full-time Faculty, and Eliminating Academic Departments

- As a result of a \$1.2 billion cut over the past four years, the UNC system has eliminated 9,000 class sections. UNC Greensboro has cut 975 course sections, or about 40,000 student seats (*Charlotteobserver.com*, 9/9/11).
- At Western Carolina University, the number of classes with more than 50 students has doubled in the past year (*Newsobserver.com*).

Colleges and universities have taken a wide range of steps to contain and cut costs as well as help students pay for education.

- San Diego State University eliminated or combined classes with 15 students or less and slashed \$600,000 from the library budget (*The San Diego Union-Tribune*).
- The University of Nevada, Reno has eliminated nearly 200 positions and more than 20 degree programs since 2009 (*The Chronicle of Higher Education*).

Cutbacks and Reallocated Resources to Pay for Institution Needs

- Pepperdine University forfeited 10 percent of each department budget rather than raise tuition to pay for new strategic programs, hiring faculty, and increasing student financial aid (*The Chronicle of Higher Education*).

Helping Students Afford College

- SUNY and City University of New York institutions implemented a tuition plan that not only limited annual tuition increases to \$300 for the next five years,

but also allowed families to anticipate and plan for college expenses (*SUNY News*).

- Miami Dade College offers two years of free tuition for qualified high school graduates, and a substantial portion of tuition revenue increases go to financial aid for working poor students.
- University of Wisconsin System implemented tuition freezes at 13 two-year campuses for the last four years.
- University of California, Berkeley will offer more than \$12 million in financial aid to middle-class students starting in the fall of 2012, with families earning between \$80,000 and \$140,000 annually expected to devote no more than 15 percent of their annual income (*The New York Times*).
- While losing 43 percent in state funding per student over the past decade, Michigan State University has raised student financial aid by 68 percent over the past four years, much more than the 26 percent of tuition increase. Thirty percent of revenue from tuition increase goes to financial aid.
- Manchester College adjusted all of its 55 programs into three-year programs called “Fast Forward” to keep its education affordable. Students take classes during three school years and online classes during the summer for estimated savings of \$25,000 (*USA Today*).

Summary

- While published tuition prices are increasing, student financial aid is also increasing. Therefore, net tuition does not rise as rapidly as published tuition.
- Colleges and universities have accelerated their efforts to hold down costs and keep higher education accessible to low- and middle-income students. Campus-provided financial aid has doubled in real terms over the past decade.
- Very few students attend the highest-priced colleges or universities. In 2011-12, more than half of all full-time students at public and private nonprofit four-year colleges attend institutions charging less than \$12,000 in published tuition.
- This is not to suggest that a college education is not expensive. College officials are sensitive to the fact that, despite increasing financial aid, a college education is a significant investment. College prices are increasing and students’ debt levels are also rising. Nevertheless, the accumulated lifetime benefits one can reap from a college education—of personal, social, or economic values—are still substantial and the demand for higher education remains strong. Colleges and universities will continue to work to find the most effective ways to deliver a quality education at the lowest cost possible.

Data Sources

What Does It Cost to Go to College?

How Much Financial Aid Is Available?

How Much Are College Prices Going Up?

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