

<http://www.chronicle.com/daily/2001/10/2001102401n.htm>

Tuition Increases at Public and Private Colleges Are Largest in Years, Survey Reports

By ANDREW BROWNSTEIN

Triggered by an economic downturn that has squeezed state support for higher education, public colleges raised tuition this year at the highest rates since 1993, according to a survey released Tuesday.

Private-college tuition, more cushioned from state politics, sustained more moderate increases, but still drifted further above the rate of inflation than in previous years.

But many observers fear that a protracted decline in contributions to colleges, combined with the uncertainty caused by the September 11 terrorist attacks, may push colleges to increase their sticker prices even higher.

For now, the contrast is stark. While average private-college tuition rose 5.5 percent this year, the public sector saw an average increase of 7.7 percent -- nearly triple the rate of inflation, according to the College Board's annual survey of tuition and financial aid. (The rate of inflation, as measured by the Consumer Price Index, grew only 2.6 percent for the year ending September 1.)

This marks the first time since 1996 that increases in the public sector have outpaced those in the private sector, as well as the largest increases in either sector since the double-digit increases of the late 1980s and early '90s.

"These are hard times again," Gaston Caperton, president of the College Board, said at a news conference Tuesday. "Anybody who is not serious about what this downturn means," Mr. Caperton warned, is headed for "disaster."

At the same time, the financial-aid forecast remains unfavorable. Loans constitute 58 percent of all student aid this year, compared with 41 percent in 1980, when the Pell Grant was at the height of its power.

Hoping to reverse this long-standing trend, the College Board announced Tuesday the formation of a Blue Ribbon Financial Aid Panel. Consisting of leaders from business, education, and nonprofit foundations, the panel will hold several forums around the country before submitting a report to Congress, scheduled for December 2002.

The 35-member panel will be led by Michael S. McPherson, the president of Macalester College and

a champion of financial-aid reform. His long-time co-author, Morton Owen Schapiro, the president of Williams College, will coordinate its research.

While the financial news was hardly surprising for college administrators, who have grappled with the economic downturn for close to a year, it did offer many their first look at hard numbers.

Average sticker prices for undergraduates, based on the College Board's survey of 2,800 institutions, were:

- \$17,123 at four-year private colleges, an increase of \$890, or 5.5 percent. The increase last year was 5.2 percent.
- \$3,754 at four-year public institutions, an increase of \$267, or 7.7 percent. Last year's increase was 4.4 percent.
- \$7,953 at two-year private colleges, an increase of \$414, or 5.5 percent. Last year's increase was 7 percent.
- \$1,738 at two-year public institutions, an increase of \$96, or 5.8 percent. Last year's increase was 3.4 percent

Out-of-state students at four-year colleges had to pay average additional costs of \$5,764, down significantly from the \$9,020 surcharge last year, according to the survey. Out-of-stage surcharges at two-year institutions averaged \$3,319, compared with \$4,942 last year.

Average costs for room and board were up 4.7 percent at four-year private colleges, 6.6 percent at four-year public colleges, and 3.9 percent at two-year private colleges, according to the study.

The economy led universities and legislatures in some states -- including Iowa, South Carolina and Illinois -- to enact double-digit tuition increases.

"Forty states are reporting severe problems, from Idaho, which has experienced a minor downturn, to ones that are seriously hurting, like Washington," which has a \$1-billion hole in its budget, said Edward M. Elmendorf, the vice president of government relations at the American Association of State Colleges and Universities.

Nonetheless, Mr. Elmendorf noted that the smaller state colleges that his organization represents had an average tuition increase of just 5.5 percent this year, suggesting that the bulk of the public colleges' increase came from large research institutions, which must compete with private universities more directly.

In addition to persistent costs, like technology and faculty salaries, colleges in both sectors endured record health-insurance costs and larger-than-normal utility payments. The much-publicized boom in freshman enrollment, which has brought unprecedented tuition dollars into university coffers, has done little to offset the overall cost of higher education.

The reason may be simple supply and demand. "There's little need to control prices when you're not worried about losing students," said Sandy Baum, a professor of economics at Skidmore College who was consulted on the College Board survey.

Most observers agree that colleges are just beginning to feel the pain of the economy. Many private colleges set their tuition in April and May, when news of the downturn was still fresh.

"It's going to get worse before it gets better," Mr. Elmendorf said. "When the economy goes down, it often takes one and a half to two years before the full impact is felt."

The future? "I don't want to say that I cry when I think about it, but the factors in place now don't look promising," said Ronald Ehrenburg, a professor of industrial and labor relations at Cornell University. He then rattled off a collection of sobering facts: State tax revenues are down, endowment spending is up, annual giving is down, and financial-aid demand is up.

Then there's September 11, described by many analysts as the "wild card" in any financial prediction. Many experts fear that layoffs will force parents to rethink plans for sending their children to college. On the legislative front, Connecticut, Iowa, Illinois, and Maine have frozen spending in the wake of last month's tragedy.

Furthermore, the conventional wisdom is that some donors, flush with cash from the stock market boom of the 1990s, will turn cautious. If they want to give, they are more likely to donate to charities linked to the victims of the September 11 attacks.

"Fund raising at most nonprofits has ground to a halt," said Patricia A. McGuire, the president of Trinity College, a women's college in Washington, D.C., who was present at Tuesday's news conference. "I have not talked to a single president who is doing fund raising the traditional way."

She added that the need for counseling services, already a growing concern before September 11, is "skyrocketing." So is the desire for additional security on Trinity's urban campus. "[Security] is twice the size of my library budget," Ms. McGuire said.

Few voices in academe responded with optimism to the data released Tuesday. But David L. Warren, president of the National Association of Independent Colleges and Universities, sees reason for hope.

Mr. Warren said that most private colleges, having emerged from the last recession with their reputations, not to mention their budgets, severely tarnished, have learned their lesson. Many have engaged in outsourcing or partnerships with other colleges to trim costs. There may be cost-cutting mergers of some colleges in the next two years, he said, "but no more than four or five." There may also be tuition increases, but nothing dramatic.

"It will in no way reflect where we were in the 1980s and '90s, where there were double-digit increases, or where the publics are now, up to 7 percent," Mr. Warren said.