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Research on Rising College Costs

By THE ASSOCIATED PRESS

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While college students and their families may get a sinking feeling with every report of rising college costs, research is under way that aims at least to show students and families what colleges do with all that money.

The National Association of College and University Business Officers is doing a school survey to devise a formula for calculating the cost of educating undergraduates, from faculty salaries to heating classrooms.

The preliminary result, presented earlier this week at NACUBO's annual meeting in New York, suggests that most any school, from low-cost community college to the big-ticket private elite, tends to spend more educating undergraduates than tuition covers.

This is no surprise to college financial officers.

"The economics of education are backwards," Gregory Fusco, a former university administrator directing the college-cost project, said Tuesday in an interview.

Colleges generally spend more on their product (graduates) than they charge the customer (students and families), Fusco said. That's because education is subsidized by other sources, including federal aid, donations, invested endowments and, in the case of public colleges and universities, local and state government support.

The amount of borrowing for college can "get a little scary," Fusco said. "If people knew the 50 cents they're paying for a dollar's worth ... they would understand what they're getting a little better."

Just last week, new government research on college costs found 55 percent of the nation's undergraduates paid for the 1999-00 school year with loans and grants, up from 50 percent just five years earlier.

The report released without fanfare by the National Center for Education Statistics said the average undergraduate got about \$4,900 in federal loans or grants -- or both -- in the 1995-96 school year. That figure jumped to \$6,265 in 1999-00.

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Part of the rise reflects more borrowing since 1993, when Congress allowed all families to participate in the federal student loan program. Previously, access to federal loans for college was based on financial need.

Federal student loans to state residents at public universities in 1999-00 averaged \$4,743, up from \$4,342 five years before, the study found.

The average size of a federal student loan for undergraduates at a private university in the 1999-00 school year was \$5,161, compared with \$4,967 five years earlier.

The federal survey does not include, however, private borrowing such as home equity loans.

The NCES report, "National Postsecondary Student Aid Study" was based on a survey of 50,000 undergraduates, part- and full-time, at about a thousand institutions. Further reports giving more detailed analysis are due out later in the year.

In the effort to come up with a formula to find true college costs, the financial officers' group surveyed more than 140 colleges and universities, including about 10 community colleges. They omitted costs of housing and feeding students.

While too few to be a representative sample of the nation's roughly 4,000 institutions, the results suggest dramatic contrasts. All figures are costs for the 1999-00 school year.

--Community colleges spent in the range of \$5,000 to \$9,000 per student, costs that exceeded tuition by \$3,000 to \$7,000.

--Public universities spent \$7,000 to \$15,000 per undergraduate -- some up to \$20,000. Tuition fell shy of that by \$4,000 to \$10,000.

--Private, four-year schools spent \$10,000 to \$40,000 -- at least two more than \$50,000. Most surveyed said costs surpassed tuition from zero to \$20,000; two schools said their tuition covered more than their cost per undergraduate.

Once the final cost formula is worked out next year, the results will be made public.

The formula itself might be used to compare colleges, as well as by individual schools to get a new angle on their financial profile.

"It does enable both individual schools and large groups of schools -- all of us -- to have some framework as to why costs are changing over time," said Richard Spies, chief financial officer at Princeton University and chairman

of the NACUBO panel working out the formula.

And, Spies said, ``that's useful for a school to explain to parents and students and others interested in that school." Princeton, he said, spent more than \$40,000 on each undergraduate during the survey year, when tuition was \$24,600.

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On the Net:

National Postsecondary Student Aid Study:
<http://nces.ed.gov/pubs2001/2001209.pdf>