



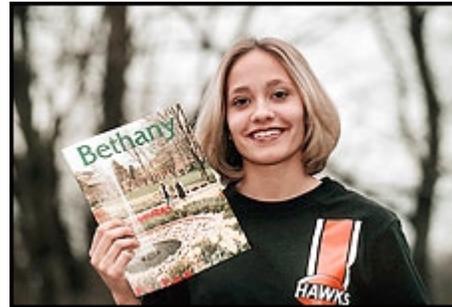
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## Colleges on the Cutting Edge

### Losing Students Because of Rising Costs, Some Schools Trim Tuition -- One by 42%

By Michael A. Fletcher  
Washington Post Staff Writer  
Monday, December 10, 2001; Page A01

BETHANY, W.Va. -- Frustrated by years of tuition hikes that had scared off some prospects and required generous financial aid packages for others, officials at tiny Bethany College came upon a radical idea: Why not just slash tuition so more students could afford to enroll?



High school senior Kristi Hosko, of Bethel Park, Pa., has made Bethany College one of her top two choices because of its reduced tuition. (David DeNoma - For The Washington Post)

The idea was so far outside the box that the school's 30-member Board of Trustees did not seriously consider it for four or five years, even as the college's endowment reached \$55 million.

But after seeing too many promising students turned off by Bethany's price tag, officials took the plunge.

Earlier this year, the school cut tuition from \$20,650 a year to \$12,000, a 42 percent reduction that begins with next fall's freshman class. Including room and board, the cost of attending Bethany will decline from \$27,204 to \$18,566.

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### Harder to Pay for College

*The growth in family income and student financial aid has lagged behind the growth in college tuition over the past two decades.*

**Inflation-adjusted increases in tuition, family income and student aid from 1981 to 2001**

Tuition at a private, four-year institution  
(Current average: **\$17,123**)

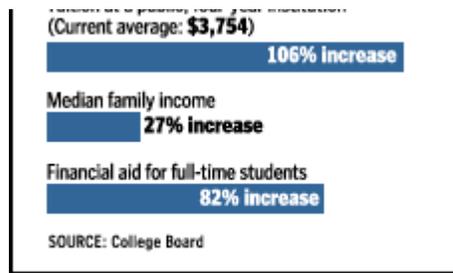
**112% increase**

Tuition at a public, four-year institution

Bethany's price-cutting strategy is being pursued by a small number of colleges. But some experts predict that more private schools will feel pressure to follow suit simply to remain viable over the next decade, when the nation's college-bound population is projected to grow by 19 percent. Eighty percent of those new students are expected to be

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minorities, many from homes with modest incomes. Tuition is likely to become an even more decisive factor as students shop for colleges.

"People often don't think of colleges and universities as operating in a competitive marketplace, but they do," said Tim McDonough,

spokesman for the American Council on Education, a higher education research group. "And they compete on any number of levels. They compete on the quality of their academic programs. They compete on location. They compete on convenience. And they compete on price."

The price cut has proven popular at picturesque Bethany College, which is in a rural corner of the West Virginia panhandle. Applications are up 38 percent over last year. If projections hold, school officials believe that their tuition cut will pay for itself by increasing enrollment and reducing financial aid outlays, without creating the need to hire new staff or build expensive new facilities.

"The price tag for higher education routinely increases 5 to 10 percent a year, and the people who have been paying the freight have not been questioning why," said James Companion, a lawyer who chairs Bethany's Board of Trustees. "But at some point in all of this, you are frightening people away with the higher prices."

The few colleges that have slashed tuition in recent years are similar to Bethany -- small liberal arts schools with well-regarded programs but only regional reputations. In virtually every case, they concluded that they only hurt themselves by maintaining price tags comparable to their more renowned counterparts.

For most, the tuition cuts have prompted increased student interest. North Carolina Wesleyan, Bluefield College in Virginia and Pine Manor College in Chestnut Hill, Mass., are among eight colleges that have reduced tuition in recent years, according to the National Association of Independent Colleges and Universities. Enrollment at Muskingum College in New Concord, Ohio, has increased 40 percent since the school slashed tuition by 29 percent five years ago.

Kristi Hosko, a senior at Bethel Park High School in suburban Pittsburgh, said that because of its new pricing structure, Bethany is among her two final college choices. Hosko, a cheerleader and student journalist with a 4.0 grade point average, said the price cut makes the school a bargain.

"I'm definitely having a positive reaction to this," said Hosko, whose father is an airline baggage handler. "You're getting the quality education for less money. That looks very appealing to me. The less debt, the

better."

Still, deep tuition cuts remain risky and highly unusual in the world of higher education. Analysts say the move works best if a school has excess capacity, large financial aid outlays and a financial cushion, such as the one provided by Bethany's hefty endowment. Officials must weigh the fact that even the highest tuition does not cover the full cost of educating a student. And many students and parents equate price with prestige.

"Tuition is one of the things people look at when shopping for colleges, and it is both a plus and a minus for them," said Jon Fuller, a senior fellow at the National Association of Independent Colleges and Universities. People want to save money, he said, but "price also signals where you fit with other institutions. It says you are competing with other schools in that price range. If you are out shopping for a car and have a Jaguar in mind, if someone says, 'I have this car from South Korea that costs \$12,000,' you probably are not going to take that seriously."

For years, that reality was one of the factors that contributed to the upward pressure on tuition, which has more than doubled at private colleges during the past two decades. Tuition and fees at top-priced private schools now exceed \$25,000 a year, and average \$17,123. Room and board adds an average of \$6,455 to that tab.

The increases have far outpaced inflation as well as the incomes of those who must foot the bill, leaving more students dependent on financial aid. At private colleges, 84 percent of students receive aid, averaging \$13,700 a year.

The increasing reliance on that aid most often requires students to take out larger loans and end their college careers more deeply in debt. The median federal loan debt for students who graduated from private colleges in 2000 was \$17,250, 23 percent more than it was four years earlier. Even at public colleges, where tuition is a fraction of the prices charged by private institutions, the median student debt for graduates in 2000 was \$15,375.

Those increasing loan amounts have come at a time when some of the nation's most prominent colleges and universities have amassed huge endowments. Last year, 41 colleges and universities had endowments of \$1 billion or more, prompting demands that the schools use some of their wealth to relieve the financial pressure on students.

But a large share of endowment money is spent on special projects, many of which are prescribed by large donors.

"Endowments are not just large savings accounts, because much of the money is restricted," McDonough said, adding that 70 percent of the

money is restricted," McDonough said, adding that 70 percent of the nation's endowment dollars are concentrated at just 70 of the nation's 3,500 colleges and universities. Nonetheless, "we have seen any number of schools increase fundraising for financial aid."

Still, some of the wealthiest schools have recently decided to tap their endowments. Princeton University last year decided to replace all loans with grants, dramatically reducing the burden on its graduates, particularly low- and middle-income students, who tend to rely most heavily on loans.

Princeton was quickly followed by other prominent schools, including Harvard, Cornell, Brown and Duke, all of which decided to give more of their financial aid in the form of grants. (Other schools, including Cooper Union in New York City and Berea College in Berea, Ky., have long traditions of using their wealth to offer free tuition to all students.)

But most colleges and universities, locked into their financial practices by ever-increasing costs and endowments that don't allow such largess, have not followed suit.

At Bethany, officials have long been painfully aware of the peculiar brand of economics that prevails at many colleges. Even as the school increased tuition year after year, it found itself having to award increasingly larger financial aid packages to continue attracting top-flight students.

"Year after year, we had to increase financial aid as we raised our price," said D. Duane Cummins, Bethany's president. "It is a vicious cycle."

More than 90 percent of the school's 774 students receive financial aid. The packages average close to \$20,000 a year per student, with most of the money coming from the school's coffers. With the price cut, the school plans to cut financial aid outlays substantially, while raising enrollment to about 900, which should generate enough new revenue for the school to break even.

Current students will receive enhanced financial aid packages, drawn from a special fund established by Bethany.

Bethany officials believe the spiral of tuition increases has put the school out of reach of many people in its core Upper Ohio Valley market, home to many hard-hit steelworkers. They say many prospective students choose more affordable public colleges over Bethany, even when they seem impressed by the school.

"We were losing people left and right because of our pricing structure," said Brian Ralph, a Bethany vice president. "We couldn't even get some people to the financial aid table, because they assumed we were too expensive."

But with the price cut, the school is confident that it can better compete for students. "It certainly helps put us in line with the ability of our market area to access and support us," Cummins said.

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