

Cornell University
ILR School

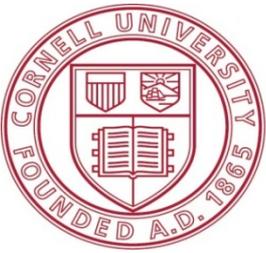


IS THE GOLDEN AGE OF SELECTIVE PRIVATE LIBERAL ARTS COLLEGES OVER?

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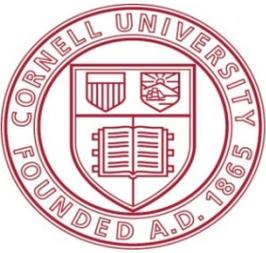




The External Environment

- **ACM institutions are seen as part of the solution to our nation's need for a more highly educated population and for research that will lead to job creation and improvements in health and the environment**
- **But you are seen as part of the problem because of your ever increasing tuition levels, increasing student debt levels, small numbers of students of modest means attending your institutions, and perceptions of low spending rates from your endowments. Threats of federal regulation loom**

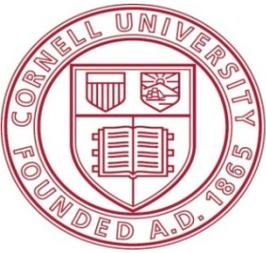




External Environment (2)

- **The continual Decline in State Support per FTE at Public 4-year institutions over the last 30 years has led to dramatically higher rates of tuition increases at them than at their private liberal arts counterpart (1.5% a year more). But their absolute cost advantage relative to selective liberal arts colleges keeps increasing**
- **Focus by public policy makers and the public on degrees that “promise” higher earnings increases pressure in ACM institutions to defend the value of liberal arts education**

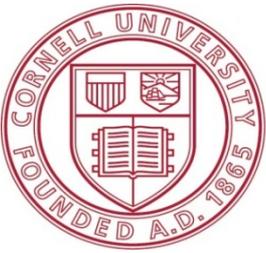




Financial Models are Breaking Down(1)

- **Your undergraduate tuitions grew at rates 3 to 3.5% more than inflation for the last 30 years but economic and political forces may limit your ability to raise tuition as rapidly in the future**
- **Your financial aid budgets have dramatically increased and at the margin you typically give back more than 40% of new tuition dollars in grant aid, leaving you with very limited resources to operate your institutions**

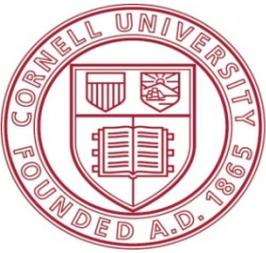




Financial Models Are Breaking Down (2)

- **The share of ever expanding research budgets funded out of institutional funds has increased and institutions now may be subsidizing research out of undergraduate tuition dollars. Cut backs in federal funding for research, or the growth path of federal funding, will exacerbate this problem (much more important issue for private research universities, but relevant for ACM members also)**
- **Instructional expenditures have declined relative to almost everything else academic institutions do. While some institutions have taken dramatic steps to reduce administrative costs, these actions are not a panacea and often shift costs on to faculty. We need continual efforts to reduce administrative costs and to deliver high quality education in a more cost efficient manner**

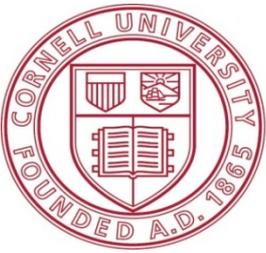




Why Tuition Keeps Increasing

- **Our aspirations to be the best we can on every dimension of our activities (cookie monster analogy)**
- **Perceptions (and evidence) that where students go to college may matter as much as whether they go to college**
- **How much we spend influences our USNWR rankings**
- **Technology that enhances our students' experience but that does not reduce costs**

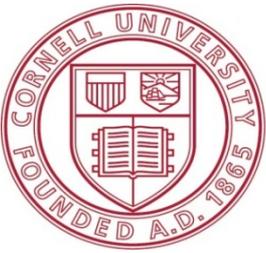




Why Financial Aid Bills Keep Increasing

- **We lost the discipline around 1980 to keep tuition in line with family incomes**
- **Prolonged periods of endowment growth coupled with endowment spending rule based on average values of the endowment over a number of periods led to low endowment spending rates from the current endowment so we enhanced financial aid policies**
- **Evidence of the relatively small number of Pell Grant recipients attending our institutions**
- **Pressure from the Senate Finance Committee in 2007-2008**
- **The Great Recession increased our students' need**
- **Increasing share of our students who are grant aid recipients make our policies divisive ones on campus**

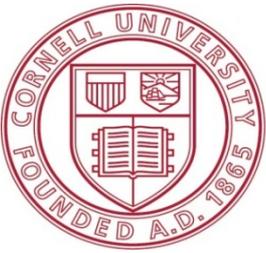




Research Costs

- **The share of research costs funded via institutional funds increased because of federal restrictions on indirect cost recoveries, unrealistic building life assumptions, demands for matching funds and the growing costs of start up packages**
- **My research indicates that students bear part of the institutional costs of research in the form of higher tuition levels, higher student/faculty ratios and a greater share of instruction taught by non tenure track faculty. Increasingly undergraduate students are bearing part of the cost of our research enterprise. Academia need to articulate the benefits that accrue to undergraduate students from the research enterprise**

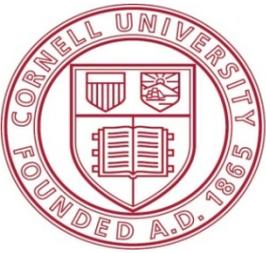




Student Services and Administration

- Expenditures on student services and administration have increased at much more rapid rates than expenditures on instruction
- My research suggests that student service expenditures do influence graduation rates, especially for students from disadvantaged backgrounds
- Administrative cost increases arise from the proliferation of government regulations and reporting requirements, the fact that it takes money to make money, and the increasing complexity of our institutions
- They also arise from every unit trying to be as good as it can (human resources example)

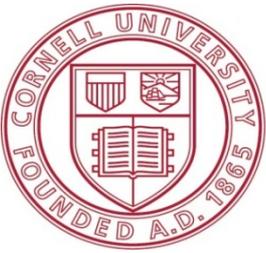




Reducing Administrative Costs

- **At large universities: 1)Reduce layers of administration and increase number of direct reports 2)Centralize procurement, do it electronically, limit to “preferred vendors” 3)Reorganize administrative services to achieve efficiencies and reduce costs**
- **At Cornell, savings are on track to be 5 to 6% of our base budget. Once achieved, institutions need to take further steps to slow down increase in these costs**
- **At SUNY, shared services system wide and pairwise**
- **Wisconsin Association of Independent Colleges and Universities Collaboration Project (3 ACM Members)**
- **Coalition for College Cost Savings(7 ACM Members?)**

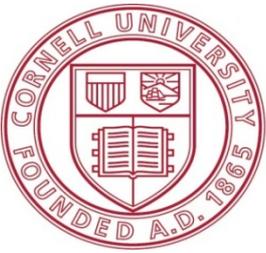




Collaborating to Enhance Academic Mission and Reduce Costs

- **Five Colleges in the Pioneer Valley and the Tri College Consortium in Philadelphia**
- **Using Technology (my Cornell class)**
- **A Virtual Classics Department (Sunokisis –some ACM involvement)**
- **Cornell/Columbia/Yale teach less common languages (currently 14) jointly via videoconference (class size limited to 12)**
- **Online Consortium of Independent Colleges & Universities**
- **“Flipped Classrooms” – CMU Open Learning Initiative (ITHAKA evaluation) and the National Center for Academic Transformation**
- **MOOCs**

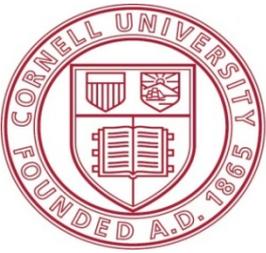




Benefitting from the Pressures Faced by the Publics

- Pressures to increase enrollments and graduation rates at the same time that funding continues to be reduced, has led to expansion in enrollments at public 2-year institutions and efforts to improve flow of students from public 2-year to public 4-year institutions.
- Perceptive selective private colleges should view this as an opportunity to enhance racial/ethnic and economic diversity (Smith College, Jack Kent Cooke Foundation Community College Transfer Initiative, Community College of Philadelphia dual admissions with 11 private colleges and universities)

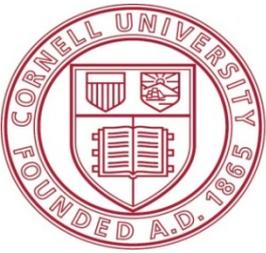




Benefitting from the Pressures Faced by the Publics (2)

- **Pressure to use resources more efficiently- focus on the revenue generated vs. cost of each faculty member (Texas)- will increase pressure on publics to increase use of adjuncts**
- **Research on role of tenured and tenure-track faculty- there is no such thing as a free lunch**
- **Opportunity for AMW institutions to emphasize the quality of your product and to contrast your graduation rates with those of publics with similar student profiles**

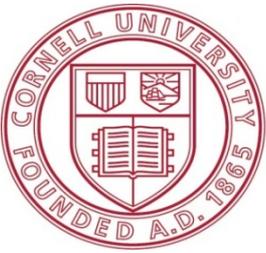




Looking to the Future

- **Modifications of Financial Aid Policies**
- **Quest for enhanced revenue from annual giving (including funding for research)**
- **Increased efforts to commercialize research findings**
- **Improving usage of facilities (more summer and evening programs)**
- **Increased efforts to generate revenue from full-tuition paying or lower tuition discount programs, including hybrid and online. But concern about protecting your brand**





Suggested Readings

- R. Ehrenberg, *Tuition Rising: Why College Costs So Much* (Harvard Univ. Press, 2002)
- R. Ehrenberg, “American Higher Education in Transition”, *Journal of Economic Perspectives* (Winter 2012)
- R. Ehrenberg, “Is the Golden Age of the Private Research University Over?”, *Change* (May/June 2013)
- R. Ehrenberg et. al. “Who Bears the Growing Cost of Science at Universities” in P. Stephan and R. Ehrenberg eds. *Science and the University* (Univ. of Wisc. Press, 2007)
- R. Ehrenberg and L. Zhang, “Do Tenured and Tenure Track Faculty Matter”, *Journal of Human Resources* (Summer 2005)
- R. Ehrenberg and J. Monks, “U.S. News & World Report Rankings; Why Do They Matter”, *Change* (Nov/Dec 1999)
- D. Webber and R. Ehrenberg, “Do Expenditures Other Than Instructional Expenditures Affect Graduation Rates”, *Econ. of Educ. Rev.* (Dec 2010)

