

DAVIS EDUCATIONAL FOUNDATION

# An Inquiry into the Rising Cost of Higher Education

---

Summary of Responses from Seventy  
College and University Presidents

November, 2012

The Davis Educational Foundation was established as a public charitable foundation in 1985. The Foundation supports higher education cost containment and improvements to teaching and learning in the undergraduate programs of public and private, regionally accredited, baccalaureate degree granting colleges and universities throughout the six New England states. Elisabeth K. Davis and Stanton W. Davis co-founded the Foundation after Mr. Davis's retirement as chairman of Shaw's Supermarkets, Inc. The Foundation is an expression of the couple's shared support and value for higher education.

## Contents

Executive Summary .....	i
Introduction .....	1
What You Told Us .....	1
Current Initiatives to Control Cost and Limit Student Debt .....	7
Critical Issues Facing Higher Education in the Next Five to Ten Years .....	8
Surprises - Issues We Thought Would Receive More Attention .....	10
Suggestions for How the Davis Educational Foundation Could Be Most Effective .....	11
Concluding Thoughts and a Challenge .....	14
Responding Colleges and Universities.....	15
Bibliography - References from Response Letters .....	16

*We welcome you to use, copy, or distribute this document. Please incorporate proper attribution in any derivative work. Additional copies may be downloaded from [www.davisfoundations.org](http://www.davisfoundations.org)*

## Executive Summary

We received 70 thoughtful, insightful and candid responses to our letter requesting insight into the accelerating cost of higher education. The letters discussed the many reasons annual tuition increases outpace the growth in inflation, the critical issues coming down the road, and how the Davis Educational Foundation can help.

The reasons mentioned for unsustainable cost increases were both cultural and structural. The most frequently mentioned causes were: an academic culture focused on improving the quality of the educational experience and reinvesting savings to improve quality rather than reduce tuition; widely held perceptions that price equals quality; increased expectations for what a college experience should include which has led to an “amenities war”; a weak relationship between what it costs to educate a student and the price a student pays; demographic declines in the Northeast in the number of college age students, increasing competition for students and expanding geographic recruitment areas; annual compensation and benefits increases; small teaching loads and small class sizes; administrative and support staff growth from increased regulations and expanded student services; mission drift and curriculum bloat from adding new courses and programs without corresponding scrutiny of undersubscribed courses; and the cost to maintain and improve the physical plant, infrastructure and technology.

The cost issue is currently being addressed on many campuses with a broad range of initiatives underway in academic, physical plant, financial and administrative areas. Many examples were given and we have included them.

Current trends and critical issues affecting higher education will continue over the next five to ten years. The demographics in New England will not improve and there will be constant pressure for improved learning outcomes and degree completion. Simultaneously and increasingly, colleges and universities will struggle with demands to make higher education affordable. Responding presidents anticipate more experiments with three-year baccalaureate degrees, more students who begin their baccalaureate studies at a community college and then transfer to a four-year college or university to complete their degree, year-round academic use of the campus, and growth in online and hybrid courses. They see increased collaboration between institutions, including the sharing of faculty and courses. It is widely believed among this group and others that online learning has the potential to simultaneously reduce cost and improve learning. It was also observed that producing quality online interactive content can be tremendously expensive and is beyond the capacity of many institutions.

There were many suggestions as to how the Davis Educational Foundation could be most effective. There was a common view that the Foundation should continue and sustain the ‘conversation.’” Presidents and other senior staff administrators would like a forum to move the conversation on college affordability to a more disciplined, researched, practical, and actionable level. In addition, there were many calls for supporting collaborative opportunities and experimentation in online, blended and digital learning. And finally, we were asked to support program modifications to reduce time-to-degree, research and pilot projects addressing structural costs, and facilitate the incubation and development of other transformative ideas.

Your interest has deepened our commitment to assist individual institutions and collaboratives ready to take on this challenge. We look forward to increased grant making under on our cost objective and continued funding in support of our teaching and learning objective.



## Introduction

Earlier this year the Davis Educational Foundation issued an invitation to each four year college and university president in New England to weigh in on the accelerating cost of higher education. We asked leaders from large, small, public, private, well-endowed and tuition-dependent institutions to share their perspectives with us.

Over seventy presidents submitted letters detailing cost drivers, future challenges, and ideas on how our foundation could contribute to making higher education more affordable for students and their families. It was clear from the fifty percent response rate and multipage letters that authors put a great deal of reflection and time in crafting their responses. For this we are grateful and extend our heartfelt thanks.

As promised, we have compiled a summary of what we learned from our inquiry. We received a healthy mix of views and insights on the reasons for the ever-increasing cost of education and some practical, as well as provocative, suggestions on what can be done about it. There are, of course, no easy or painless solutions. This fact does not dissuade us from making “containing cost” one of our program priorities. We know there are many educational leaders throughout New England who are serious about restraining the rate of growth in the cost of college attendance, and we want to assist and encourage them in their efforts.

## What You Told Us

**The Academic Culture**—it’s all about quality.

Leading an academic institution is always demanding. During periods of economic downturn it is particularly demanding. The success of a university or college presidency is typically measured by whether the school is stronger at the end of the presidency. Are the students better, is the faculty stronger, have new programs been added, have fundraising goals been met, have new buildings been built, has the school moved up in the public’s perception, are alumni supportive, has the president taken the school to the next level of excellence?

Irrespective of size and type of institution, we heard a clear and universal commitment to quality. There are more good ideas floating around than there are funds to support them. There is more pressure to add and improve than to scale back, so a great deal of thought and energy goes into finding ways to enhance revenue streams. While all institutions struggle with these pressures, it is greatest at the well-endowed elite institutions where the mantra for growth and improvement is constant. And therein lies one of the great strengths of American higher education -- and one of its greatest challenges. As one such president observed:

*America’s economy is driven by competition and in higher education the incentives to compete on quality are high and the incentives to compete on price are low . . . People assume that when a college saves on cost its price comes down or at least doesn’t go up as much. But this never happens because there is every incentive to plow that savings into increased quality.*

Another wrote, “*Much less has been said, however, about the competitive and marketplace dynamics that have been in even greater measure responsible for the growth agenda. I believe that these dynamics are at the root of the problem, and I am sure make the internal dynamics of cost expansion much more difficult to resist or correct.*”

And finally another President cautioned, “*Not all cost containment efforts will serve us well, so identifying those that will strengthen the institution of higher education is key to our long-term place in and value to society. And in the end it is value that we should focus on, not simply cost.*”

So, one theme that was spread throughout many of the responses was the question of how institutions can reduce or restrain cost without reducing quality.

### **A Perception That Price Equals Quality**

This brings up another question that was often raised in the responses. Does price really equal quality? The public thinks so and so do the ranking systems. A university president summed it up by writing:

*Colleges and universities are held back in their efforts to implement cost efficiency savings by a tendency for prospective students and rating systems to focus on activities and inputs (such as class size and student-faculty ratios), rather than upon effectiveness in delivering educational outcomes.*

A president of a liberal arts college wrote:

*It should come as no surprise that as governing boards and administrators seek to influence the rankings, costs (and prices) increase. I believe that the U.S News rankings have been one of the most powerful (and pernicious) forces driving colleges toward deliberate inefficiencies.*

But it is no secret that many students receive excellent educations at less expensive colleges and universities that are almost totally tuition dependent. It isn’t easy for these schools and they have to work hard at balancing student, faculty and institutional needs with available resources, but they manage to do it. In fact, the cost issue is one of greatest concern to those who are tuition dependent because they have no margin for error. Tuition discounting comes right out of their operating budget. Those tuition dependent schools that do an excellent job of educating probably have learned many important lessons about cost management and quality that would be useful even to the wealthier schools. A president from a tuition-dependent college mused:

*. . . how does the school that spends less manage to stay open and attract students all other things being equal? ...Perhaps they have come up with some innovations in teaching, technology, facilities, or staffing that allow it to actually spend less and still achieve success and positive outcomes. If these schools have found a way to provide a similar education at less cost, that innovation should be studied, recognized, and duplicated...*

One of the difficulties of the perception that “Price Equals Quality” is that highly-selective well-endowed schools can raise tuition without losing talented students. The demand for entrance to these schools is so high they could, if they wanted, fill their classes many times over with full tuition paying students. The “elite” schools in effect establish the boundary for tuition rates for all schools. The less wealthy schools can increase their tuition at a faster rate than they might otherwise because a higher price boundary has been set. And—because they usually have a small number of full tuition paying students than the elite schools—their tuition discount rate increases and their net revenue remains constant or declines while their published price increases. It is a vicious cycle.

## Increased Expectations

Many of the letters we received mentioned the growth in the expectations of what a college should provide. This is a form of the “amenities war” that is so frequently cited as a significant cause for the growth in tuition. As one president explained:

*In many respects—and what has not been fully appreciated I believe—higher education is now facing some of the same macro-economic pressures that have changed the business landscape over the last decade. Consumers—students and parents—expect more, have less to spend, have greater options, and can choose from an overcapacity of “teaching” institutions and opportunities of various kinds.*

Another observation that sums up the “expectation” issue:

*There is an imbalance between student and parent expectations, costs, and a family’s ability to pay...although it may seem to some that cost escalation is driven by an increase in faculty and staff numbers and their salaries, it is accurately driven by broader ideas of what higher education means. College students and their parents expect the institution to be capable of providing all technological, social, and emotional support. In short, higher education offers the experience that parents and students have come to expect beyond their education, and there is a cost for this experience.*

## The Relationship between Price and Cost

It is well known that there is a disjuncture between the sticker price and the actual cost to educate a student. Even full paying students do not pay the full cost because of subsidies from endowments, gifts, and outside grants. Tuition discounting increases the gap between net tuition and the actual cost to provide the education. A number of responders to our letter reminded us that the aggregate net cost to students has not grown over the last several years by quoting the College Board’s report *Trends in College Pricing 2011*, “the average inflation-adjusted net price and fees at private, non-profit colleges actually dropped 4.1 percent over the last four years.” This fact raises the question “So what is the problem?”

The problem is the Federal Reserve reports an inflation-adjusted median family income decline of 7.6 percent between 2007 and 2010 and a median family net worth decline of 39 percent. Rising student debt levels further demonstrate the persistent disequilibrium between net tuitions and student ability to pay for college. The poor job market makes servicing student debt upon graduation extremely difficult and default rates are increasing. One president wrote with considerable passion and force about the level of student debt:

*I believe that cost control is a defining moral and business issue for principled academic leaders. If college presidents don’t take steps to address cost we fail our students by graduating them into an uncertain economy with huge debt burdens, and endanger both our institutions and the higher education sector’s long term viability.*

Another president wrote:

*The challenge of addressing cost containment in higher education needs to be pursued aggressively, delicately, and intentionally. As with institutional and community-level approaches, the goal at the policy level should keep a consistent question in mind: how can we adapt our educational system to ensure more students are academically and financially capable of pursuing and completing a post-secondary degree?*

In addition, and as a practical matter, the level of discounting many schools must offer to match the competition and fill their classes is rapidly becoming unsustainable. One college president reported, “*financial aid and scholarship support (is) up over 300% in the last eight years*” and another boldly asserted:

*I think all of us who work in higher education understand that the financial model for most universities and colleges in our region is no longer feasible.*

## **Student Demographics and Competition for Students**

The decline in the number of students in the pipeline in New England is a common concern for many. We were told, “*We anticipate continuing to see a significant decrease in traditional college-age students combined with a significant increase in non-traditional college-age students.*” It is a hard fact that is being addressed at considerable cost and effort. Admissions recruitment is extending to new regions and new student populations. And new programs are being developed for non-traditional age students. The decline in the number of traditional age students in New England surely will have a dramatic impact on pricing strategies. In addition, a large number of schools reported that they are educating a higher proportion of first generation students. This development is very positive for our society but it carries with it added cost in counseling, student services, and remedial courses. These extra services are required for the group of students who come from underserved populations. It is an unintended consequence of the strong effort to make our campuses more open, diverse and vibrant.

## **Compensation**

In a typical college budget, compensation and financial aid account for about three quarters of the operating expenses. (This number may not be as high for research universities, depending on the amount of research funding they receive.) One cannot be serious about containing cost without examining the growth in compensation. Getting compensation right is complicated, but critical, and requires constant monitoring along with a determination “to keep the lid on.” It involves staffing levels, teaching loads, student/faculty ratios, number of tenured and tenure track faculty, use of adjuncts, number of administrators and support staff. It requires carefully considered policies on benefits, salary levels, performance reviews, retirement benefits, and sabbatical leaves—the list goes on and on. (It seems that one common policy for faculty compensation is to be above the medium of peer institutions). A typical response on the difficulty of dealing with compensation issues was, “*‘Entitlements’ like faculty sabbaticals, retirement benefits, professional development/travel and research support continue to affect the bottom line. Institutions have a hard time rolling back these commitments even in tough budget environments.*” And, “*Compensation and benefit cost are a significant part of our operating budget. To attract and retain top faculty and staff, we face continued pressure to spend more.*”

Another president wrote about how important compensation was to cost containment, “*Since 70% of the cost to operate the College is people, we will need to find ways to do business with fewer people than we do now, without sacrificing the core mission and services of the College.*”

Special mention must be made of the concern over the escalation in health benefits. The cost of providing medical insurance was uniformly mentioned as a growing concern. The increase in premiums continues to pressure already constrained operating budgets and there appears to be no end in sight.



Here we highlight the work of The Boston Consortium for Higher Education (TBC). TBC has been working with 23 institutions to form a health insurance reciprocal with potential savings in the 3-6% range for those currently fully insured. An interesting collateral benefit has been the creation of Collaborative Educational Ventures of New England (CEVoNE). It has the capability to serve as a vehicle for other types of large-scale collaborations, including procurement and risk management as well as retiree health or student health. As the only consortium in New England that is focused exclusively on non-academic collaborations, TBC's creation of an independent, ready-made legal entity for collective use is a valuable resource for *all* of the region's consortia.

### **Teaching Loads and Class Size**

Teaching loads were mentioned numerous times as a major cost driver. Across the higher education landscape in New England teaching loads vary greatly from institution to institution. On campuses we have visited in the past few years, we have seen teaching loads span from 2-3 classes per year to 10 per year. Faculty course loads usually reflect institutional and faculty expectations for scholarship, research and service.

Class size and the student-faculty ratios were also frequently mentioned. The student-faculty ratio is often viewed as a proxy for an institution's quality. A president of a leading research university posits that the student-faculty ratio is the primary reason for high tuition rates:

*Can we raise this ratio and preserve, or even enhance, the quality of education for our students? This is the problem of the cost disease, and if we cannot, we are locked into a per student staff size, that dictates our cost structure.*

### **Staffing and Regulatory Impacts**

Another trend impacting cost involves faculty who choose to continue teaching well beyond a traditional retirement age. This trend is not entirely unique to higher education and has been further spurred by stock market volatility. As the market stabilizes, faculty may return to retiring at a younger age. This would free up space for promising younger faculty and reduce costs.

*... senior professors earn higher salaries and tend to exert upward pressure on group health insurance costs. A generational transition is underway now and may result in some measure of savings in salary and benefits," one president observed.*

Over the past ten years administrative and support staffs have increased significantly. It is not uncommon for administrators and staff to out-number faculty. As one president lamented:

*Part of the growth in the number of administrators is the growing professionalism of administrative tasks like admissions, fund-raising, and student support services. Another very real part is the dramatic (and also unrelenting) cost of regulation—federal, state, and from our accreditation agency, NEASC.*

## Mission Drift

In recent years, colleges and universities have added new majors, programs, centers and institutes at dizzying rates. In the quest to be bigger and better and to create branded “signature” programs, the additions have been promoted as bolstering institutional quality. However, the new economic reality has some educational leaders questioning the practice of “adding” without making corresponding “adjustments” to programs and resource allocations. The following reflection captures this phenomenon:

*Like other institutions, we may well have experienced “mission drift” by straying into new areas in response to specific opportunities, yet without the depth of resources needed to sustain both new and continuing programs. The challenges of supporting a much wider array of academic programs were not apparent during a period of robust economic growth combined with enrollment increases. But now it is abundantly clear that neither (we) nor most higher education institutions can sustain the patterns established over recent decades. We must focus strongly on those programs for which there is a demand, programs for which there is a compelling case for University involvement.*

And this from the president of a prominent liberal arts college:

*More specifically—as we add courses we must ask ourselves if there is anything that can or should be taken away—ensuring maximum capacity in classes, while remaining within our agreed upon student-faculty ratio.*

## Maintaining the Infrastructure

A fundamental principle of sound financial management is to fully fund depreciation. Many schools find this difficult to do, including well-endowed colleges and universities. A long list of deferred maintenance projects is the result of underfunding depreciation and, as the backlog grows, it becomes ever harder to catch up. Classrooms, dormitories, laboratories, and athletic facilities require constant repairs and updating. The same can be said for grounds.

Embedded within infrastructure costs are increasing utility expenses and a quest for efficient heating and cooling systems. Utility and energy costs, in particular, were frequently mentioned as important cost drivers. “*In the long run, as personnel and utility costs continue to climb, it will become harder to maintain financial aid commitments without other kinds of adjustments in budgeting and spending,*” a president observed.

Over the past twenty years, technology has become a significant component of the work and academic life of students, staff and faculty. Costs required to keep campuses up to date with technology have grown dramatically over the last twenty years. It is not only the cost of the hardware, laboratory equipment, and software but also the talented staff needed to maintain and assist faculty, staff, and students in their use. The importance of technology in higher education cannot be questioned.

While historically a cost-driver, technological innovations are opening access to knowledge and collaboration opportunities that have the potential to revolutionize higher education in a myriad of ways. Decisions as to which innovations we employ and how they are implemented will significantly impact costs moving forward.

### Strategic and Cultural Issues

The “cost drivers” described above represent the themes expressed by college and university presidents. We also read of specific issues unique to a particular campus and thereby not common enough for inclusion. Not all of the “cost drivers” listed above are strategic—some could be more appropriately categorized as cultural, or being both structural and cultural.

### A Challenge beyond Mere Budget Cutting

A president of a liberal arts college listed major priorities for his and similar colleges as: maintaining institutional financial aid to meet need-blind admissions policies, fully-funding depreciation, and containing tuition increases within cost-of-living parameters. He continued:

*All three priorities are fundamental and interlocking problems; all three must be accomplished. Simply cutting budgets won't solve any of these problems. Doing this is extremely complicated, and will require disciplined work, research, and a thorough knowledge of the consequences of changes. It is essential that we maintain or improve the educational experience while coping with the new economic realities.*

### Current Initiatives to Control Cost and Limit Student Debt

There is a greater effort to rein in cost on college campuses than is generally known or appreciated. Many of you described the initiatives you have taken or plan to take to help slow the growth in tuition. One liberal arts college president observed:

*What is less clear to many is that colleges like us have been streamlining and seeking efficiencies for some time now—we have had to do so in order to pay for increased financial aid expenditures, especially since 2008 and for previously underfunded depreciation costs.*

What we found most heartening were the discussions that are taking place in senior staff meetings throughout New England on the cost issue. Several of you told us that, “Issues of cost will be a focus of an upcoming retreat...” In the sidebar beginning on this page, we have listed specific cost savings initiatives detailed in the letters.

Cost savings initiatives reported as already taken or underway in New England colleges and universities:

#### Cost Savings Initiatives - Academic Areas

Three-year baccalaureate degrees

12 month academic use of the campus

Collaboration and articulation agreements with Community Colleges

Right sizing the institution—both faculty and staff

Increasing class size

Addressing mission drift

Improved advising “on time to degree” issues

New strategic relationships with universities for 3/2 graduate degree programs

Better coordination with colleges and universities in area to share courses and faculty

More use of blended learning in high demand courses

## Critical Issues Facing Higher Education in the Next Five to Ten Years

Many of the responders to our letter felt the cost drivers in play today would still be with us five to ten years from now. Writers also reflected on trends they believe will greatly influence institutional viability and academic delivery. The top five most frequently mentioned trends are:

### 1. Demographics of New England

The most worrisome issue mentioned was the decline in the number of college age students in New England. This demographic fact of life creates a daunting challenge. The options available to most colleges are limited—expand beyond the normal recruitment area, reduce the size of the college, recruit more international students, and/or develop programs that attract more non-traditional students.

As one president observed:

*...we also recognize that as an institution that attracts the majority of its students from the Northeast . . . we must both remain competitive with our peer institutions to attract those students while also broadening our geographic reach for student recruitment. This is a trend that will continue into the next decade or more.*

### 2. Online Learning

The emergence of more sophisticated online learning was cited in most of the letters. It was described as holding great promise and as having the potential to be a “disruptive” game changer. The enthusiasm for online and hybrid learning was also met with trepidation:

*Online learning is a hot topic in the news today, and some people believe that it may offer opportunities for cost reduction. It is certainly something that is here to stay and that will have an impact at every college and university from now on.*

A newly-appointed president of a major university wrote:

*...about cost containment and major forces on higher education over the next five to ten years. We believe that online learning is the key on both fronts. Web-based learning can be offered at a significantly lower cost than the traditional residential model for higher education, and online educational opportunities provide vastly broader access than anything prior, achieving a truly global scale.”*

### Cost Savings Initiated - Academic Areas (cont.)

Started a summer semester at reduced tuition

Exploring ways to merge programs and activities and centralize services with other neighboring colleges and universities.

Reviewing distribution and other college-wide requirements

Reduced visiting faculty positions

Faculty who teach fewer than 50 students per year to teach an extra course next year

Simplify what has become an overly rich and complex curriculum

MIT, Harvard, and the University of California at Berkeley have teamed up to create edX. As edX, Massive Online Open Courses (MOOCs), Kahn Academy, Coursera and a host of other online learning initiatives are more fully developed, there can be little doubt that they will change how courses are taught and delivered. They will have a significant impact on most of higher education:

*Options for online education (including hybrid models that combine online and on-ground) will become more common in higher education and have a dramatic impact on pricing and cost. At some point, students will not want to pay the same tuition for an online course as a course on campus. How we will address this from a cost perspective will be critical,* wrote one concerned president.

The president of a large, highly respected research university had an interesting perspective on how to combine online learning into a residential university:

*I do believe that the use of technology in education is going to play a major role in our future; however, I am not a believer in the extreme that online education can replace the residential college experience. I am quickly becoming a proponent for blended education by which a university offers students the ability to spend fewer than four years in the residential campus setting, while still becoming part of the student body of the residential institution.*

### 3. Time to Degree

We received numerous responses proposing a three-year baccalaureate as an approach to lowering educational costs. A number of schools have introduced, or are considering, three-year degree programs and other options – such as competency-based credit, credit for prior learning, stronger advising, tuition incentives, and streamlined programs – to reduce the time it takes for students to earn a degree:

*It is remarkable that we received so much publicity recently for making more visible a ‘three-year option’ that has always been generally available. At (our) college we believe that more students would benefit from a more aggressive approach to getting a degree if only they would consider it. So beginning now we’ll be talking to our students about this... There’s a great deal of money to be saved, as much as \$50,000.*

### 4. Year-round Academic Use of the Campus

Coupled with the three-year degree is an expectation that more campuses will offer courses year round. This achieves three objectives, it: 1) allows for students to complete their degrees faster; 2) makes better and more economical use of the campus; and 3) enables the school to increase the size of the student body without having to enlarge the physical plant.

#### Cost Savings Initiatives - Administrative Areas

Cross training staff to do multiple functions

Hired a consultant to on administrative restructuring resulting in a potential savings of between \$39m and \$67m

Worked with The Boston Consortium on reducing health insurance cost

Becoming more data driven – better comparable data with peer institutions

Sharing administrative duties with other institutions

Instituted training programs for administrative and support staffs

Reduced administrative and support staffs through attrition and layoffs

Increased outsourcing of administrative functions

Pursuing other collaborative opportunities

Consolidating the Police Departments of Mt. Holyoke, Smith and Hampshire Colleges

## 5. Improve Transfer Opportunities

A number of presidents suggested that more opportunities for students to begin their degrees at community colleges would help students save a considerable sum in tuition. Colleges and universities would have to develop appropriate articulation agreements with the community colleges.

*More students will begin their college education at community colleges (online or on-ground) followed by transfer to private colleges. Creative articulation agreements that tackle issue of price and programming will be important,"* wrote a college president who is actively pursuing this strategy.

## Surprises - Issues We Thought Would Receive More Attention

The themes listed above are a comprehensive list of the structural and cultural factors you believe lead to annual increases in costs. There were, however, some themes we thought might be important but did not draw many comments.

### Shared Governance

Very few letters mentioned the issue of how colleges and universities are governed and managed. Shared governance has strengths as well as shortcomings. Resource allocation decisions in a shared governance environment can be difficult and time consuming because many voices need to be heard and satisfied. The path of least resistance is often to increase tuition instead of confronting the difficult task of scaling back on expenses.

### Role of Board of Trustees

Absent also was reference to the role of the board of trustees other than to say the Board was interested in the cost issue. As boards have the ultimate fiduciary responsibility, one would think they would raise serious concerns each time an increase in tuition well above the rate of inflation was brought to them for approval. Trustees should advocate, expect and demand greater efficiencies and pilot programs that constrain escalating costs without compromising quality.

### The Budget Process

Colleges and universities employ a variety of processes for developing the annual budget. The most common process is for the senior administration to develop budget guidelines for the operating units to follow. Budget committees then review the submissions and, after adjustments, submit the budget to the appropriate senior officer for approval, and then to the Board for final approval. The problem is, in reality, budgets are increased incrementally each year. Too little time is spent on examining ways to eliminate non-essential functions or doing things differently and more efficiently.

### Cost Savings Initiatives - Physical Plant

Improved the efficiency of the physical plant

Reduced energy cost by upgrading infrastructure

Undertaken a new Master Plan for upgrading and renovating the campus

Fully funding depreciation

Conducted a major study to improve space efficiencies

## Non-academic Cost Centers

There was only slight reference to the cost of sports centers or sports teams with low participation rates. Also, many schools have built wonderful new student centers that carry high maintenance cost. Non-academic cost centers are important for the vibrancy and competitiveness of the campus, but they are costly to maintain and operate. They are part of the “amenities war.”

## Students Not “College-Ready”

The cost of teaching remedial level courses can be substantial and lengthens the time to degree. In addition, students who begin but do not complete their degrees do so at significant personal expense, but also at substantial institutional expense. While often lamented in the literature, the problem of under-prepared students was given little emphasis by respondents.

## Competition from For-profit, Online and Certificate Programs

The higher education landscape is changing with new “providers” entering the higher education space. There was little mention of how competition from these new “providers” would add financial and programmatic pressure to improve efficiencies and academic innovation.

## Suggestions for How the Davis Educational Foundation Could Be Most Effective

We sought your insights and suggestions on how we, *“a relatively small foundation can best address our founders’ objectives and serve the vast array of colleges and universities in New England.”* We received many suggestions.

### Continue and Sustain the “Conversation”

We hoped our letter would stimulate a serious conversation on the cost issue among the higher education leadership in New England. It is clear to us that there is serious contemplation and initial action underway on individual campuses. As we reflected on the passion and depth of thought expressed, we recognized that presidents and other senior administrators lack a forum to move the conversation to a more disciplined, researched, practical and actionable level.

We received many comments similar to this one from the president of a major University, *“I don’t know if I have effectively addressed your question, but I do hope I have added to the discussion within your Board of Trustees, as it is a profound issue for the country and for universities like ours.”*

### Cost Savings Initiatives - Financial

Refinanced our debt for a lower carrying cost

Froze tuition and room rate

Set aside 7 percent of the budget to reallocate to high priority areas

Constrained tuition increases to the growth of the CPI

Meet 100 percent of demonstrated student need with no loans

Match tuition increase with an equal increase in financial aid

Cap tuition increases

Limit increase in expenses to 1% over the prior year

Limit student debt to a specific number

Provided more funds for work-study

Added 350 new students without adding new space

Freeze tuition for continuously enrolled students.

The president of a selective liberal arts college wrote, “*Further, a symposium that convened college presidents, chief financial officers, and foundation leaders who seek to understand and address the issue of rising tuition would benefit all involved*” and this, “*I suggest that a think tank of leaders from at least ten independent colleges in the northeast convene to discuss higher education cost containment combined with added value,*” from a college vice president for academic affairs.

A public college president wrote, “*It may be useful to convene a one or two day meeting—or perhaps a series of meetings across New England, that engages college administrators, faculty, and staff in a dialogue about reducing costs.*”

These quotes from a variety of types of colleges and universities are broadly representative. A desire to continue the conversation was expressed in many ways in nearly all of the letters we received.

### **Support Collaborative Opportunities**

From the letters received, it was clear that increased collaboration was a key element in lowering cost and improving quality. There was widespread appreciation for the work of the educational consortia in New England—Association of Vermont Independent Colleges, The Boston Consortium, Colleges of the Fenway, Five College Consortium, New Hampshire College and University Council and the Worcester Consortium—for their efforts to increase collaboration, share faculty and staff, reduce procurement, health and other insurance expenses and other common cost areas. It was suggested that future DEF grants should encourage more sharing and collaboration.

### **Support Experimentation in Online, Blended, and Digital Learning**

There are many unanswered questions about the pedagogy of digitally delivered courses. Pilot programs to explore the types of courses that can be effectively delivered in digital format and yield real cost savings are needed. A good example of the type of studies worthy of support are the studies authored by former Tufts President Larry Bacow and former Princeton President Bill Bowen on “Barriers to Adoption of Online Learning Systems in U.S. Higher Education” and “Interactive Learning at Public Universities: Evidence from Randomized Trials.”

Given the number, reputation, and variety of colleges and universities in New England, the region seems well-suited for a variety of studies to incorporate online and blended learning into traditional residential campuses, especially heavily enrolled courses.

### **Support Innovations to Reduce Time to Degree**

There is growing interest in shortening the time to degree without lowering the quality of the degree. More information is needed on how to structure these accelerated programs. We also heard a number of calls for assistance with credit transfer, competency based learning, and prior learning assessments.

### **Cost Savings Initiatives - Financial (cont.)**

Reviewed all of our vendor contracts and re-negotiated or changed vendors to provide significant savings

Reorganized campuses services and leveled salary increases across all levels resulting in personnel savings

Developing a diversified model for revenue generation with a cadre of auxiliary activities, including executive education programming and developing and teaching entrepreneurship programs for other institutions worldwide



Here again a research team from a variety of colleges and universities might come up with helpful suggestions and best practices. It was suggested that “...*the Foundation assist colleges and universities in reducing costs by funding the development and evaluation of innovative dual-degree programs, especially in fields, such as law and medicine, that are particularly costly and very rarely linked with undergraduate degrees.*”

### **Support Research and Pilot Projects on Structural Costs and other Cost Drivers**

A concerned college president suggested that an important role for the Davis Educational Foundation would be to support research on how the structural issues drive increases in tuition. There is a certain urgency to do this before outside sources impose regulations that could be shortsighted:

*Cost of higher education is rapidly becoming part of the national dialogue. If those of us in and interested in higher education are not interested in researching causes and identifying solutions to this “cost disease”, solutions could be imposed in haste or by others with less knowledge of the system. As an interested third party, DEF is ideally suited to proactively fund New England-wide collaboration among a group of specific representative public and private colleges and universities to research structural costs and drivers at their own institutions, differences between them, best practices identifying means of containing those, and other relevant questions. Findings of this research would be published and distributed as a white paper for broad distribution to start this important dialogue.*

A president of a major research university expressed a similar approach, “*I believe the Foundation can make a meaningful impact by encouraging original thinking and strategically designed pilot projects designed to reduce costs.*”

### **Facilitate the Incubation and Development of Transformative Ideas**

And finally, a president of a distinguished engineering school, summed up the opportunity and challenge facing the Davis Educational Foundation:

*You have invited responses how you can best serve New England’s colleges and universities. In my opinion, foundations have a vital role to play through providing catalytic funding to facilitate the incubation and development of transformative ideas to address the challenges; identifying and sharing best practices observed from their important vantage point; convening institutions to focus on shared challenges; building intellectual capital through supporting and disseminating new ideas; and providing leadership with other funders...Tuition increase is a challenge that transcends individual organizations...But now perhaps an opportunity is emerging in facing the challenge of raising tuitions for the foundation to undertake a new role as a leader in helping to clarify the problem and acting as a thought leader on the issue. Through a regional leadership role the Davis Educational Foundation can not only deal with the challenge at hand, but also attract other foundations with greater resources to effect change on this issue.*

## Concluding Thoughts and a Challenge

Your suggestions on how we can best serve the colleges and universities in New England have helped inform our thinking about future grant making. We will, of course, continue to support proposals in support of our objective to improve teaching and learning. Due, in part to your responses and encouragement, we are promoting our interest in proposals that specifically target the “cost disease.” And, as you might expect, we will look especially favorably upon proposals that address teaching and learning *and* cost containment. The two areas need not be exclusive.

We have been successful in funding innovative pedagogy projects over the years. Our grant making procedures and evaluative processes have evolved and are well established in this area. While the cost issue has been a funding objective since our founding, we have received far fewer requests and thus have relatively limited experience in funding cost containment initiatives. We anticipate our processes and preferences to evolve in this area, as well. We invite you to visit our website for our current submission guidelines and to watch for updates.

We have learned from your letters that, in fact, a great deal of time and energy is being devoted to the troublesome issue of containing costs. These are important first steps. You have confirmed that reining in cost in an academic environment is serious, hard and complicated work. We know it requires focused leadership and resolve and an informed campus community on why this work is important. It requires support from the Board and partnerships with faculty, administration and staff leaders. It requires an agreement throughout the campus on what is truly important. It requires a willingness to change and seek more efficient ways to provide the best educational experience that your students and their parents can afford. It requires creativity, innovation, new partnerships, collaborations with other institutions, experimentation, hard facts and data, lots of data. In short, it requires energy and commitment.

You have challenged us to help sustain the conversation among presidents and senior officers; to support collaborative efforts and demonstration projects in on-line, blended and digital learning; to support research and pilot projects on structural costs; and to assume a role as a regional thought leader in helping to clarify the cost problem.

We challenge you, our grantees, to submit proposals that will address the structural and cultural issues that have led to cost escalation beyond the rate of inflation. We challenge you to rethink your cost structure and make the necessary changes to confront costs without compromising the quality of your education.

You know and we know there is a cost crisis throughout higher education and something has to change. To this we offer one final quote from the response letters that captures the role of campus leadership in addressing this challenge:

*Universities should be leaders of change—not victims of it.*

## Responding Colleges and Universities

We have included this list of responding institutions as evidence of the breadth of schools that contributed to our findings. Out of respect for the confidential manner in which we solicited their input and the candor expressed by presidents in their replies to us, we have not attributed the quotations used in this document.

Amherst College  
 American International College  
 Anna Maria College  
 Babson College  
 Bard College at Simon's Rock  
 Bay Path College  
 Berklee College of Music  
 Bentley University  
 Boston Consortium  
 Boston University  
 Brandeis University  
 Clark University  
 Colby College  
 Colby-Sawyer College  
 College of St. Joseph (VT)  
 College of the Atlantic  
 Connecticut College  
 Dean College  
 Eastern Connecticut State University  
 Emmanuel College  
 Fairfield University  
 Fisher College  
 Framingham State University  
 Franklin Pierce University  
 Franklin W. Olin College of Engineering  
 Gordon College  
 Hampshire College  
 Harvard University  
 Husson University  
 Johnson & Wales University  
 Lasell College

Lyndon State College  
 Maine College of Art  
 Massachusetts College of Art and Design  
 Massachusetts College of Liberal Arts  
 Massachusetts Institute of Technology  
 Middlebury College  
 Mount Holyoke College  
 Nichols College  
 Northeastern University  
 Norwich University  
 Quinnipiac University  
 Regis College  
 Rhode Island College  
 Rhode Island School of Design  
 Saint Joseph's College (ME)  
 Salem State University  
 Salve Regina University  
 Simmons College  
 Smith College  
 Springfield College  
 Sterling College  
 Stonehill College  
 Suffolk University  
 Thomas College  
 Trinity College  
 Tufts University  
 University of Connecticut  
 University of Hartford  
 University of Maine  
 University of Massachusetts Dartmouth  
 University of New England  
 University of New Haven  
 Wellesley College  
 Wesleyan University  
 Western New England University  
 Wheaton College  
 Williams College  
 Worcester Polytechnic Institute  
 Worcester State University  
 Yale University

## Bibliography - References from Response Letters

American Association of Colleges and Universities (AAC&U). (2007). *College Learning for the New Global Century: A Report from the National Leadership Council for Liberal Education & America's Promise*. Retrieved from [http://www.aacu.org/leap/documents/GlobalCentury\\_final.pdf](http://www.aacu.org/leap/documents/GlobalCentury_final.pdf)

American Association of Colleges and Universities (AAC&U). (2011). *The LEAP Vision for Learning: Outcomes, Practices and Employers' Views*. Washington, DC: American Association of Colleges and Universities.

Archibald, R.B. and Feldman, D.H. *Why Does College Cost so Much?* New York: Oxford University Press, USA, 2010. Print

Arum, Richard. *Academically Adrift*. Chicago: University of Chicago Press, 2011. Print.

Auon, Joseph E. "Shaping the New Normal", January 7, 2012. Keynote address to the College Board Colloquium.

Barriers to Adoption of Online Learning Systems in U.S. Higher Education. Ithaka S&R report retrieved from <http://www.sr.ithaka.org/research-publications/barriers-adoption-online-learning-systems-us-higher-education>

Baum, Sandy and Schwartz, Saul (2012, July) "Is College Affordable? In Search of a Meaningful Definition. Institute for Higher Education Policy". Retrieved from [http://www.ihep.org/assets/files/publications/g-\(Issue\\_Brief\\_Is\\_College\\_Affordable\\_July\\_2012.pdf](http://www.ihep.org/assets/files/publications/g-(Issue_Brief_Is_College_Affordable_July_2012.pdf)

Business Roundtable. (2010). *Roadmap for Growth – Education: Preparing U.S. Students and Workers to Succeed*. Retrieved from <http://businessroundtable.org/studies-and-reports/roadmap-for-growth-education/>

Blue Sky Plan, University of Maine. Available at <http://umaine.edu/blueskyplan/>

Bottomly, H.Kim, Student Debt: A Problem But Not the Problem. Retrieved from the Huffington Post Blog [http://www.huffingtonpost.com/h-kim-bottomly/student-debt-a-problem-bu\\_b\\_1646284.html?utm\\_hp\\_ref=tw](http://www.huffingtonpost.com/h-kim-bottomly/student-debt-a-problem-bu_b_1646284.html?utm_hp_ref=tw)

Carriulo, Nancy (2010, April 18). "When the Cupboard is Bare, Assemble a Team to Fill It." *The Chronicle of Higher Education*.

Chait, Richard P. and First, Zachary (2011, November-December). "Bullish on Private College: On the Enduring Strengths of Institutions of Higher Education". *Harvard Magazine*. Pages 36-30

Christensen, Clayton M. and Horn, Michael B. (2011, July-August). "Colleges in Crisis: Disruptive Change Comes to American Higher Education." *Harvard Magazine*. Pages 40-43.

Collegiate Employment Research Institute. (2010). *Recruiting Trends 2010-2011*. Retrieved from <http://www.ceri.msu.edu/wp-content/uploads/2010/11/201-11%20RT.pdf>

Hart Research Associates (2010). *Raising the Bar: Employers' Views on College Learning in the Wake of the Economic Downturn*. Retrieved from [http://www.aacu.org/leap/odcuments/2009\\_EmployerSurvey.pdf](http://www.aacu.org/leap/odcuments/2009_EmployerSurvey.pdf)

Interactive Learning Online at Public Universities: Evidence from Randomized Trials, Ithaka S&R Report retrieved from <http://www.sr.ithaka.org/research-publications/interactive-learning-online-public-universities-evidence-randomized-trials>

Martin, Andrew and Lehren, Andrew W. (New York Times: May 12, 2012) *Degrees of Debt Series on Student Loans*. Retrieved from <http://www.nytimes.com/2012/05/13/business/student-loans-weighing-down-a-generation-with-heavy-debt.html?pagewanted=all>

Miller, Richard K. (2012, June). "How Will Internet-Based Instruction, Social Networking, and Mass Communication Change Undergraduate Engineering Education?" *Franklin W. Olin College of Engineering*

National Association of Colleges and Employers (NACE). (2010). *Job Outlook 2011*. Bethlehem, PA: National Association of Colleges & Employers.

PayScale. (2012). *2012 ROI Rankings: College Education Value Compared*. <http://www.payscale.com/college-education-value/>

Riggs, Hank. "The Price of Perception". (New York Times: April, 17, 2011): Education Section <http://www.nytimes.com/2011/04/17/education/edlife/edl-17notebook-t.html>

Roth, Michael, Blogs from Wesleyan on the topic:  
<https://roth.blogs.wesleyan.edu/2012/05/24/why-colleges-should-offer-a-three-year-option/>  
<https://roth.blogs.wesleyan.edu/2012/05/30/sustainable-affordability/>  
<https://roth.blogs.wesleyan.edu/2012/06/04/financial-aid-now-more-than-ever/>  
<https://roth.blogs.wesleyan.edu/2012/06/04/financial-aid-now-more-than-ever/>

*The Future of the Liberal Arts College in America and Its Leadership Role in Education Around the World*: Conference held at Lafayette College. Information on conference at: <http://sites.lafayette.edu/liberal-arts-conference/>

U.S. Department of Labor, Employment and Training Administration. (2010) *O\*NET OnLine*. <http://www.onetonline.org>

Wellman, Jane (2010, Winter). "Making it Real." *New England Journal of Higher Education* <http://www.nebhe.org/thejournal/making-it-real/>

Wootton, William R. (2011, March 27). "We Designed a 3-Year Degree...and Survived." *Chronicle of Higher Education*. <http://chronicle.com/article/We-Designed-a-3-Year-Degree/126900/>